BIG BROTHERS BIG SISTERS
OF METROPOLITAN CHICAGO

FINANCIAL STATEMENTS

JUNE 30, 2014

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Warady & Davis LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of Metropolitan Chicago
Chicago, Illinois

We have audited the accompanying financial statements of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO (an Illinois nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BIG BROTHERS BIG SISTERS OF METROPOLITAN CHICAGO as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warady & Davis LLP

October 21, 2014

STATEMENTS OF FINANCIAL POSITION

As of June 30	**2014**	2013
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	**$ 498,008**	$ 636,611
Restricted Cash	**125,161**	125,112
Other Receivables	**9,255**	—
Contributions Receivable	**5,176**	3,511
Government Grants Receivable, net of Allowance for Doubtful Accounts of $55,514	**20,917**	5,813
Unconditional Promises to Give	**745,750**	546,723
Prepaid Expenses	**71,766**	61,554
Total Current Assets	**1,476,033**	1,379,324
PROPERTY AND EQUIPMENT, net	**24,526**	36,400
OTHER ASSETS		
Prepaid Lease Commission	**7,877**	11,027
	$ 1,508,436	$ 1,426,751
LIABILITIES AND NET ASSETS (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts Payable	**$ 153,374**	$ 126,022
Accrued Liabilities	**58,863**	52,396
Deferred Rent - Current Portion	**23,533**	17,379
Total Current Liabilities	**235,770**	195,797
NONCURRENT LIABILITIES		
Deferred Rent	**46,068**	69,601
NET ASSETS (DEFICIENCY)		
Unrestricted	**(13,349)**	132,217
Temporarily Restricted	**1,114,786**	904,024
Permanently Restricted	**125,161**	125,112
	1,226,598	1,161,353
	$ 1,508,436	$ 1,426,751

See accompanying notes.

STATEMENTS OF ACTIVITIES

For the Years Ended June 30	2014				2013			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES								
Contributions								
Corporations	**$ 29,271**	**$ 713,960**	**$**	**$ 743,231**	$ 138,483	$ 874,151	$	$ 1,012,634
Foundations	**101,030**	**530,500**		**631,530**	149,558	423,500		573,058
Individuals	**781,543**	**98,855**		**880,398**	634,726	47,775		682,501
Government Grants	**70,137**			**70,137**	70,203			70,203
United Way		**35,200**		**35,200**		35,200		35,200
Big Brothers Big Sisters of America	**10,000**	**100,700**		**110,700**		101,600		101,600
Program Related Events	**24,170**			**24,170**	15,000			15,000
Contributions In-Kind	**147,984**			**147,984**	113,975	1,250		115,225
	1,164,135	**1,479,215**		**2,643,350**	1,121,945	1,483,476		2,605,421
Program Service Fees	**10,085**			**10,085**	10,989			10,989
Special Events								
Special Event Revenue	**1,224,360**	**167,073**		**1,391,433**	955,884	79,713		1,035,597
Less Costs of Direct Benefits to Donors	**(461,523)**			**(461,523)**	(380,838)			(380,838)
	762,837	**167,073**		**929,910**	575,046	79,713		654,759
Other Revenue								
Gain (Loss) on Disposal of Property and Equipment				**—**	(3,267)			(3,267)
Interest Income	**1,432**		**49**	**1,481**	396		41	437
	1,432		**49**	**1,481**	(2,871)		41	(2,830)
Net Assets Released from Restrictions	**1,435,526**	**(1,435,526)**		**—**	1,233,223	(1,233,223)		—
Total Revenues	**3,374,015**	**210,762**	**49**	**3,584,826**	2,938,332	329,966	41	3,268,339
EXPENSES								
Program Services	**2,773,758**			**2,773,758**	2,351,017			2,351,017
Support Services								
Management and General	**288,354**			**288,354**	248,992			248,992
Fundraising	**457,469**			**457,469**	433,709			433,709
	745,823			**745,823**	682,701			682,701
Bad Debt Loss				**—**	5,750	55,514		61,264
Total Expenses	**3,519,581**			**3,519,581**	3,039,468	55,514		3,094,982
CHANGES IN NET ASSETS	**(145,566)**	**210,762**	**49**	**65,245**	(101,136)	274,452	41	173,357
Net Assets, Beginning	**132,217**	**904,024**	**125,112**	**1,161,353**	233,353	629,572	125,071	987,996
NET ASSETS (DEFICIENCY), ENDING	**$ (13,349)**	**$ 1,114,786**	**$ 125,161**	**$ 1,226,598**	$ 132,217	$ 904,024	$ 125,112	$ 1,161,353

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	Big Brothers Big Sisters Programs	Support Services: Management and General	Support Services: Fundraising	Support Services: Total	Total Expenses
Salaries	$ 1,560,905	$ 140,649	$ 312,342	$ 452,991	$ 2,013,896
Payroll Taxes	113,689	10,244	22,749	32,993	146,682
Employee Benefits	101,362	9,133	20,283	29,416	130,778
401(k) Employer Matching Contributions	11,909	1,073	2,383	3,456	15,365
	1,787,865	161,099	357,757	518,856	2,306,721
Annual Dues	15,996	1,441	3,201	4,642	20,638
Background Checks	36,572			—	36,572
Bank Charges	7,935	1,984	9,918	11,902	19,837
Communications	20,701	1,865	4,143	6,008	26,709
Depreciation and Amortization	17,325	1,561	3,467	5,028	22,353
Equipment Expense	32,346	2,915	6,472	9,387	41,733
Insurance	52,439	9,239	3,708	12,947	65,386
Miscellaneous	712	64	142	206	918
Occupancy	158,907	28,390	27,246	55,636	214,543
Office Supplies	14,843	1,337	2,971	4,308	19,151
Postage and Shipping	6,175	556	1,236	1,792	7,967
Printing Expense	10,976	990	2,196	3,186	14,162
Professional Fees	44,871	66,111	16,312	82,423	127,294
Program Events	283,746			—	283,746
Program Snacks and Supplies	39,337			—	39,337
Program Transportation	103,921			—	103,921
Recruitment/Marketing	47,160	1,677	6,285	7,962	55,122
Training and Meetings	37,918	3,417	7,587	11,004	48,922
Travel	54,013	5,708	4,828	10,536	64,549
	985,893	127,255	99,712	226,967	1,212,860
TOTALS	$ 2,773,758	$ 288,354	$ 457,469	$ 745,823	$ 3,519,581

See accompanying notes.

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

For the Year Ended June 30, 2013

		Support Services			
	Big Brothers Big Sisters Programs	Management and General	Fundraising	Total	Total Expenses
Salaries	$ 1,354,883	$ 118,484	$ 274,596	$ 393,080	$ 1,747,963
Payroll Taxes	112,685	9,854	22,838	32,692	145,377
Employee Benefits	87,128	7,619	17,658	25,277	112,405
401(k) Employer Matching Contributions	6,687	585	1,355	1,940	8,627
	1,561,383	136,542	316,447	452,989	2,014,372
Annual Dues	18,614	1,628	3,772	5,400	24,014
Background Checks	30,381			—	30,381
Bank Charges	7,051	1,763	8,814	10,577	17,628
Communications	16,635	1,455	3,372	4,827	21,462
Depreciation and Amortization	23,714	2,074	4,806	6,880	30,594
Equipment Expense	32,688	2,859	6,625	9,484	42,172
Insurance	50,399	4,539	3,667	8,206	58,605
Interest	731	64	148	212	943
Miscellaneous	380	32	76	108	488
Occupancy	170,524	32,606	27,573	60,179	230,703
Office Supplies	8,888	777	1,801	2,578	11,466
Postage and Shipping	6,359	556	1,289	1,845	8,204
Printing Expense	7,207	630	1,461	2,091	9,298
Professional Fees	54,837	33,496	47,140	80,636	135,473
Program Events	202,462			—	202,462
Program Snacks and Supplies	31,681			—	31,681
Program Transportation	69,628			—	69,628
Recruitment/Marketing	125	25,512	2,132	27,644	27,769
Training and Meetings	9,721	850	1,970	2,820	12,541
Travel	47,609	3,609	2,616	6,225	53,834
	789,634	112,450	117,262	229,712	1,019,346
TOTALS	$ 2,351,017	$ 248,992	$ 433,709	$ 682,701	$ 3,033,718

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the Years Ended June 30	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	**$ 65,245**	$ 173,357
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used) Provided by Operating Activities		
Bad Debt Loss	**—**	61,264
Depreciation and Amortization	**22,353**	30,594
Amortization of Prepaid Lease Commissions	**3,150**	3,151
Loss on Sale of Property and Equipment	**—**	3,267
Donated Stocks	**(78,143)**	(102,066)
Deferred Rent	**(17,379)**	1,026
Other Receivables	**(9,255)**	322
Contributions Receivable	**(1,665)**	9,430
Grants Receivable	**(15,104)**	98,331
Unconditional Promises to Give	**(199,027)**	(234,344)
Prepaid Expenses	**(10,212)**	(4,767)
Accounts Payable	**27,352**	36,183
Accrued Liabilities	**6,467**	4,858
Deferred Revenue	**—**	(45,288)
Total Adjustments	**(271,463)**	(138,039)
Net Cash (Used) Provided by Operating Activities	**(206,218)**	35,318
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in Restricted Cash	**(49)**	(41)
Purchase of Property and Equipment	**(10,479)**	(10,044)
Refund of Security Deposit	**—**	500
Proceeds from Sale of Donated Stocks	**78,143**	102,066
Net Cash Provided by Investing Activities	**67,615**	92,481
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Capital Lease Obligations	**—**	(7,909)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(138,603)**	119,890
Cash and Cash Equivalents, Beginning	**636,611**	516,721
CASH AND CASH EQUIVALENTS, ENDING	**$ 498,008**	$ 636,611
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid During the Year for Interest	**$ —**	$ 943

See accompanying notes.

NATURE OF ACTIVITIES

Big Brothers Big Sisters of Metropolitan Chicago (the Organization), an Illinois not-for-profit corporation, empowers at-risk youth by providing high-impact one-to-one mentoring that enables lifelong success. The Organization's support comes primarily from corporate, foundation and individual donors' contributions as well as government grants and various fundraising activities. The Organization derived 25% and 22% for 2014 and 2013, respectively, of its total revenues from three fundraising events, Bowl for Kids' Sake, Speaker Event and a Golf Outing.

The Organization fulfills its mission through delivery of Community Based Mentoring and a variety of Site Based Mentoring Programs.

Community Based Mentoring Program. Through Community Based Mentoring, at-risk youth are matched one-to-one with caring, screened and trained adult volunteer mentors. This program offers Bigs and Littles the opportunity to plan together and engage in activities that they enjoy. Each match is unique, building upon the personalities, life experiences, interests and assets of the Big and Little involved.

Site Based Mentoring Programs. Site Based Mentoring operates similarly to Community Based Mentoring in that Bigs and Littles are matched one to one but meet at a prearranged space such as a school, community center or place of business 2-4 times per month with other Big/Little pairs. The Organization offers the following Site Based Program options for mentors and mentees:

School Based Mentoring. With the cooperation of the local school districts, this program matches at-risk elementary and middle school students with volunteer mentors from Chicago area corporations, colleges and universities, and the larger community. The matches meet at the school location.

Club Based Mentoring. The Organization operates Club Based Mentoring Programs in conjunction with Boys & Girls Clubs (BGC). A volunteer is matched with a youth participating in a BGC program where activities occur at the club site.

Workplace Mentoring. The Organization offers specialized mentoring programs for youth where the majority of the mentoring takes place at a corporate "workplace" site. This program allows for integration of the resources and environment of the workplace into the overall program.

Evening Site Based Mentoring. Bigs and Littles come from the general community and meet at a local community center. In addition to meeting on-site, matches participate in one monthly field trip to local sporting events, museums or outdoor activities.

Saturday Site Based Mentoring. Saturday Site Based programs offer a structured opportunity for Bigs who cannot commit to a program during the weekday. The programs meet every other Saturday throughout the calendar year.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL STATEMENT PRESENTATION

Financial statement presentation follows the requirements of the Financial Accounting Standards Board (FASB) Codification for "Financial Statements of Not-for-Profit Organizations". Under the standards, the Organization is required to report information regarding its financial position and activities into three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations plus those resources for which temporarily donor-imposed stipulations have been satisfied. Unrestricted net assets may otherwise be designated for specific purposes by action of the Board of Directors.

Temporarily restricted net assets - Net assets whose use by the Organization is subject to donor-imposed stipulations that may or will be met either by actions of the Organization, pursuant to those stipulations and/or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that the resources be maintained permanently by the Organization. Due to the nature of the permanently restricted reserve fund, the income earned from the permanently restricted net assets is also permanently restricted and is recorded as permanently restricted revenue.

Revenues are reported as increases in unrestricted net assets unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets.

SUPPORT REVENUE

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

It is the Organization's policy to sell donated securities upon receipt. Grant revenues are recognized in the period in which they are earned. Amounts received under these grants that have not yet been spent are recorded as deferred revenue.

CASH AND CASH EQUIVALENTS

The Organization considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash equivalents consist of money market accounts and a certificate of deposit.

RECEIVABLES

Receivables are stated at their net realizable value, which is the amount the Organization expects to collect. The Organization determines an allowance for doubtful accounts based on past experience and analyses of collectability of the various receivables. The allowance for doubtful accounts was $55,514 at June 30, 2014 and 2013. Receivables are charged to bad debt loss when deemed uncollectible.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment in excess of the capitalization threshold of $2,500 is capitalized and carried at cost. Depreciation and amortization, including assets under capital leases, are calculated using the straight-line method over the estimated useful lives of the assets which range from 3 years for computer equipment and software to 5 years for furniture, equipment and the phone system, and 6 years for the office buildout.

DEFERRED RENT

Rent expense is recorded on the straight-line method over the life of the lease. Tenant allowances are recorded as a deferred rent liability and amortized over the term of the lease.

CONTRIBUTIONS IN-KIND

Contributions of goods and services are recorded at their estimated fair value at the date of contribution. Such contributions are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. In-kind contributions of $147,984 for 2014 include legal services of $41,639, accounting services of $7,000, management training of $18,760, and $80,585 of event tickets and food used for program activities. In-kind contributions of $115,225 for 2013 include legal services of $24,465, accounting services of $11,000, and $79,760 of event tickets and food used for program activities.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing various programs and other activities have been summarized on the functional basis in the statements of activities. Expenses are charged directly to programs or general and administrative categories based upon specific identification where possible. Accordingly, certain costs have been allocated among the programs and supporting services benefited, based on direct charges or appropriate methods determined by management.

INCOME TAXES

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a *private foundation* within the meaning of Section 509(a) of the Internal Revenue Code. The Organization is similarly exempt for state purposes.

The Organization follows the guidance in the FASB Codification topic related to uncertainty in income taxes which prescribes a comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements uncertain tax positions that the Organization has taken or expects to take in its tax returns. Under the guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is "more likely than not" that it is sustainable, based on its technical merits. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority having full knowledge of all relevant information. The Organization believes that it has appropriate support for the positions taken on its returns.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES (Continued)

The Organization files its forms 990 in the U.S. federal jurisdiction and the office of the state's attorney general for the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service or the State of Illinois for years before 2010.

USE OF ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, gains and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2—CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in deposit accounts at financial institutions, which at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

NOTE 3—RESTRICTED CASH

Restricted cash includes amounts contributed to serve as a permanently restricted reserve fund, used to support the stability of the Organization and the quality of the Organization's programs (see Notes 9 and 10).

NOTE 4—UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give were $745,750 at June 30, 2014 and $546,723 at June 30, 2013. Management has determined that all amounts will be collected within one year and, therefore, have been presented as current on the statements of financial position.

NOTE 5—PROPERTY AND EQUIPMENT

Depreciable and amortizable assets at June 30 consist of:

	2014	2013
Furniture and Fixtures	**$ 17,432**	$ 17,432
Phone System	**34,535**	34,535
IT Equipment and Server	**59,397**	50,018
Office Build-out	**20,765**	19,665
	132,129	121,650
Less Accumulated Depreciation and Amortization	**107,603**	85,250
	$ 24,526	$ 36,400

NOTE 6—LINE OF CREDIT

The Organization maintains a revolving line of credit with a maximum borrowing base of $450,000, which was increased from $350,000 on March 27, 2013. The line of credit is renewed annually in March and is currently effective through March 27, 2015. The line is collateralized by all of the Organization's business assets. The credit agreement requires that the line be paid down to $-0- for at least 15 consecutive days once per year, and contains other restrictive covenants as defined in the agreement. There was no outstanding balance on the line of credit at June 30, 2014 and 2013. Interest is payable monthly on the outstanding balance at the bank's prime lending rate (3.25% at June 30, 2014). As there were no borrowings for the years ended June 30, 2014 and 2013, there was no interest expense.

NOTE 7—CAPITAL LEASES

The Organization leased a telephone system under a capital lease with a cost of $25,056 and a printer/copier with a cost of $16,334. The assets and liabilities under the capital leases were recorded at the present value of the future minimum lease payments. The obligation represents the present value of the balance due in future years for the lease of the equipment, discounted at a rate of 5.612% for the phone system and 26.958% for the printer/copier. The telephone system capital lease expired in 2014 and the Organization has retained the assets. The printer/copier capital lease expired in 2013, at which time the assets were disposed. Accumulated amortization for this equipment was $25,056 at June 30, 2014 and $25,056 at June 30, 2013, with amortization of $-0- in 2014 and $8,278 in 2013 included in depreciation and amortization expense on the statements of functional expenses. Capital lease obligations were fully repaid during the year ended June 30, 2013.

NOTE 8—TEMPORARILY RESTRICTED NET ASSETS

	2014	2013
Programs in Highland Park	$ 34,500	$ 34,000
Site Based – Bank of America	40,000	—
Site Based – Barrington/Elgin	20,000	20,000
Site Based – Better Boys Foundation	—	17,500
Site Based – Blue Cross Blue Shield	20,000	—
Site Based – BNY Mellon	15,000	—
Site Based – Budlong	—	5,000
Site Based – Cardinal Health	10,000	—
Site Based – CDW	10,000	—
Site Based – Deloitte	5,900	—
Site Based – Dr. King Club	20,000	20,000
Site Based – DRW Trading	25,000	—
Site Based – Evanston	5,000	—
Site Based – Future First	50,000	—
Site Based – General Wood BGC	15,000	18,000
Site Based – Holy Angels BGC	—	4,000
Site Based – Holy Trinity	—	10,000
Site Based – Jones Lang Lasalle	7,000	—
Site Based – Jordan	—	22,500
Site Based – JP Morgan Chase	40,000	—
Site Based – Logan Square	—	9,000
Site Based – McDonalds	10,000	—
Site Based – Mesirow Financial	11,000	—
Site Based – Motorola	25,000	—
Site Based – Muchin College Prep	5,000	10,000
Site Based – Mundelein	6,080	3,500
Site Based – Northern Trust	15,000	—
Site Based – Orozco	—	5,500
Site Based – Palatine	20,000	25,000
Site Based – Project Breakthrough	94,149	—
Site Based – Ray	—	7,000
Site Based – St. Ann/UIC	—	3,000
Site Based – Skokie	13,000	13,000
Site Based – Streamwood	—	5,000
Site Based – Takeda	20,000	—
Site Based – New Programs (unspecified)	—	50,000
Site Based – Various Programs FY14	—	246,080
Site Based – Various Programs FY15	80,000	15,000
Community Based	36,620	57,620
Match Enrichment	59,678	35,053
Military Mentoring	20,009	15,000
Time Restricted	381,850	253,271
	$ 1,114,786	$ 904,024

NOTE 9—PERMANENTLY RESTRICTED NET ASSETS

	2014	2013
Wallace Cash Reserve Fund	$ 125,161	$ 125,112

NOTE 10—ENDOWMENT FUNDS

The Organization's endowment consists of one fund established to act as an operating reserve fund for the Organization. As required by generally accepted accounting principles, net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES, AND SPENDING POLICY

The Board of Directors of the Organization has adopted investment and spending policies for endowment assets that attempts to provide for appropriate preservation of capital of the endowment funds. The endowment is invested in accordance with the gift instrument in a separate interest bearing account.

The Organization may withdraw endowment funds as deemed necessary to support the stability of the Organization and the quality of the Organization's programs. The Organization must repay funds withdrawn, by the close of the next fiscal year following the year which they were withdrawn. The Organization's Board of Directors has determined that these funds will be used after the Organization's unrestricted cash reserves and Line of Credit have been exhausted.

Endowment net assets composition by type of fund as of June 30 is as follows:

	2014	2013
Donor-Restricted Endowment Funds	$ 125,161	$ 125,112

Changes in endowment net assets for the years ended June 30 are as follows:

	2014	2013
Endowment Net Assets, Beginning of Year	$ 125,112	$ 125,071
Interest Income	49	41
Endowment Net Assets, End of Year	$ 125,161	$ 125,112

NOTE 10—ENDOWMENT FUNDS (Continued)

Due to the nature of the permanently restricted reserve fund, the income earned from the permanently restricted net assets is also permanently restricted and is recorded as permanently restricted revenue.

NOTE 11—LEASE COMMITMENTS

In February, 2011, the Organization signed a new lease agreement expanding the Organization's office space by 4,200 square feet. The new lease supersedes the original lease which was due to expire November 30, 2011. The lease for office space provides for monthly rental payments increasing annually plus a pro rata share of operating costs. The Organization received $42,000 in tenant improvements and $42,933 in free rent. The lease expires on December 31, 2016. In lieu of a security deposit, the landlord accepted an irrevocable standby letter of credit. The value of the letter of credit was $32,175 at June 30, 2014, and June 30, 2013. The letter of credit was extended to March 27, 2015.

In September, 2012, the Organization entered into a noncancelable operating lease for equipment, which expires September, 2015. In May, 2013, the Organization entered into a noncancelable operating lease for equipment, with rent payments beginning in July, 2013, which expires June, 2017. The leases provide for base monthly rentals of $764 per month.

Rent expense for the year ended June 30, 2014 was $193,559, of which $2,120 was attributable to off-site storage. Rent expense for the year ended June 30, 2013 was $206,067, of which $1,962 was attributable to off-site storage. For purposes of the statements of functional expenses $193,559 is in occupancy and $-0- in equipment expense in 2014 and $203,050 is in occupancy and $3,017 is in equipment expense in 2013.

Minimum rental commitments under noncancelable lease agreements are as follows:

Years Ended June 30	
2015	$ 233,789
2016	236,926
2017	122,474
	$ 593,189

NOTE 12—EMPLOYEE BENEFIT PLAN

On January 1, 2004, the Organization adopted an employee benefit plan pursuant to Internal Revenue Code Section 401(k) where participants may make contributions from their gross pay up to a maximum allowed by law. On July 31, 2006, the plan was restated to allow the Organization to make discretionary profit sharing and/or discretionary matching contributions. The Organization made matching contributions of 100% of employee contributions up to 3% of the employee's gross compensation until February 2009. The Organization reinstated the matching contributions as of February 1, 2011. The Organization will match fifty cents on the dollar up to 3% of the participating employee's contribution, with a cap of $2,100. A vesting schedule has been established which is tied to an employee's tenure at the Organization. The Organization made contributions of $15,365 to the plan for the year ended June 30, 2014 and $8,627 for the year ended June 30, 2013.

NOTE 13—RELATED PARTY TRANSACTIONS

Contributions from officers, board members and companies whose directors are also board members amounted to $483,611 for the year ended June 30, 2014, including $4,182 of in-kind auction and raffle donations and $41,639 of donated legal services, and $344,673 for the year ended June 30, 2013, including $4,692 of in-kind auction and raffle donations and $24,465 of donated legal services. There were unconditional promises to give of $21,720 at June 30, 2014 and $5,075 at June 30, 2013 from members of the board of directors and their related companies or officers of the Organization.

The Organization, through the normal course of business, purchased certain catering services from a company owned by the wife of the executive director. The amounts paid to this company were $2,739 for the year ended June 30, 2014 and $4,445 for the year ended June 30, 2013.

NOTE 14—SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 21, 2014, the date which the financial statements were available to be issued. There were no subsequent events that require disclosure.