

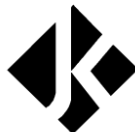


**REPORT ON AUDITS OF
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011**

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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Jones and Kolb
Certified Public Accountants
Atlanta, Georgia

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Metro Atlanta, Inc.
Atlanta, Georgia

We have audited the accompanying financial statements of Big Brothers Big Sisters of Metro Atlanta, Inc. (the "Agency"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and net assets, 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

The Agency's 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.

Auditor's 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 audits 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 Agency'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 Agency'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.

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 Metro Atlanta, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Jones and Kolb

March 22, 2013

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

ASSETS

	2012	2011
ASSETS		
Cash	\$ 183,107	\$ 266,499
Grants and other receivables	85,408	77,997
Other assets	17,814	15,797
Promises to give	399,824	297,203
Capital campaign pledges receivable, net	1,682,391	956,754
Investments	327,827	602,493
Property and equipment, net	6,172,827	4,501,125
Total assets	\$ 8,869,198	\$ 6,717,868

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Accounts payable and accrued expenses	\$ 120,112	\$ 138,203
Line of credit	1,780,000	200,000
Note payable	3,700,000	3,950,000
Capital lease payable	220,499	-
Total liabilities	5,820,611	4,288,203
NET ASSETS		
Unrestricted		
Undesignated	827,867	57,448
Board designated	299,096	576,258
Total unrestricted	1,126,963	633,706
Temporarily restricted	1,896,624	1,770,959
Permanently restricted	25,000	25,000
Total net assets	3,048,587	2,429,665
Total liabilities and net assets	\$ 8,869,198	\$ 6,717,868

The accompanying notes to financial statements
are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public support				
United Way	\$ 211,171	\$ 169,426	\$ -	\$ 380,597
Grants	97,065	-	-	97,065
Other public support	186,985	-	-	186,985
Corporate contributions	459,199	149,583	-	608,782
Capital campaign contributions	526,007	1,239,163	-	1,765,170
Special events	954,887	-	-	954,887
Less: Costs of direct benefits to donors	(247,253)	-	-	(247,253)
Total public support	<u>2,188,061</u>	<u>1,558,172</u>	<u>-</u>	<u>3,746,233</u>
Revenue				
Other income	12,820	-	-	12,820
Investment income	67,122	2,880	-	70,002
Total revenue	<u>79,942</u>	<u>2,880</u>	<u>-</u>	<u>82,822</u>
Total public support and revenue	<u>2,268,003</u>	<u>1,561,052</u>	<u>-</u>	<u>3,829,055</u>
NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS	<u>1,435,387</u>	<u>(1,435,387)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	<u>2,154,173</u>	<u>-</u>	<u>-</u>	<u>2,154,173</u>
Support services				
Management and general	490,942	-	-	490,942
Fundraising	565,018	-	-	565,018
Total support services	<u>1,055,960</u>	<u>-</u>	<u>-</u>	<u>1,055,960</u>
Total expenses	<u>3,210,133</u>	<u>-</u>	<u>-</u>	<u>3,210,133</u>
CHANGE IN NET ASSETS	493,257	125,665	-	618,922
NET ASSETS				
Beginning of year	<u>633,706</u>	<u>1,770,959</u>	<u>25,000</u>	<u>2,429,665</u>
NET ASSETS				
End of year	<u>\$ 1,126,963</u>	<u>\$ 1,896,624</u>	<u>\$ 25,000</u>	<u>\$ 3,048,587</u>

The accompanying notes to financial statements
are an integral part of this statement.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENT OF ACTIVITIES AND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public support				
United Way	\$ 179,027	\$ 201,685	\$ -	\$ 380,712
Grants	1,164,167	-	-	1,164,167
Other public support	234,441	-	-	234,441
Corporate contributions	609,569	419,276	-	1,028,845
Capital campaign contributions	-	1,109,100	-	1,109,100
Special events	919,977	-	-	919,977
Less: Costs of direct benefits to donors	(201,011)	-	-	(201,011)
Total public support	<u>2,906,170</u>	<u>1,730,061</u>	<u>-</u>	<u>4,636,231</u>
Revenue				
Other income	32,101	-	-	32,101
Investment income	7,510	125	-	7,635
Total revenue	<u>39,611</u>	<u>125</u>	<u>-</u>	<u>39,736</u>
Total public support and revenue	<u>2,945,781</u>	<u>1,730,186</u>	<u>-</u>	<u>4,675,967</u>
NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS	<u>904,754</u>	<u>(904,754)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	<u>2,882,928</u>	<u>-</u>	<u>-</u>	<u>2,882,928</u>
Support services				
Management and general	387,420	-	-	387,420
Fundraising	632,340	-	-	632,340
Total support services	<u>1,019,760</u>	<u>-</u>	<u>-</u>	<u>1,019,760</u>
Total expenses	<u>3,902,688</u>	<u>-</u>	<u>-</u>	<u>3,902,688</u>
CHANGE IN NET ASSETS	(52,153)	825,432	-	773,279
NET ASSETS				
Beginning of year	<u>685,859</u>	<u>945,527</u>	<u>25,000</u>	<u>1,656,386</u>
NET ASSETS				
End of year	<u>\$ 633,706</u>	<u>\$ 1,770,959</u>	<u>\$ 25,000</u>	<u>\$ 2,429,665</u>

The accompanying notes to financial statements
are an integral part of this statement.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Program Services	Support Services			Total
		Management and General	Fundraising	Total	
Salaries	\$ 1,012,199	\$ 235,267	\$ 364,173	\$ 599,440	\$ 1,611,639
Fringe benefits	103,977	24,167	37,409	61,576	165,553
Payroll taxes	80,296	18,663	28,889	47,552	127,848
Total compensation and benefits	1,196,472	278,097	430,471	708,568	1,905,040
Professional fees	132,140	81,746	22,222	103,968	236,108
Occupancy	132,158	31,221	21,154	52,375	184,533
Match support activities	142,291	-	-	-	142,291
Depreciation	93,377	22,059	14,947	37,006	130,383
Interest	92,867	21,938	14,865	36,803	129,670
IT expenses	70,190	10,750	11,804	22,554	92,744
Miscellaneous	56,135	8,597	9,439	18,036	74,171
Equipment rental and maintenance	51,144	7,833	8,601	16,434	67,578
Insurance	46,547	7,129	7,828	14,957	61,504
Telephone	38,075	5,831	6,403	12,234	50,309
Printing	24,904	3,814	4,188	8,002	32,906
Conferences and meetings	21,443	3,284	3,606	6,890	28,333
Big Brothers Big Sisters of America	17,140	2,625	2,883	5,508	22,648
Supplies	15,351	2,351	2,582	4,933	20,284
Travel	7,012	1,074	1,179	2,253	9,265
Dues and subscriptions	6,625	1,015	1,114	2,129	8,754
Staff development	5,573	854	937	1,791	7,364
Postage	4,729	724	795	1,519	6,248
Total expenses	\$ 2,154,173	\$ 490,942	\$ 565,018	\$ 1,055,960	\$ 3,210,133

The accompanying notes to financial statements
are an integral part of this statement.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services	Support Services			Total
		Management and General	Fundraising	Total	
Salaries	\$ 1,271,811	\$ 179,726	\$ 350,638	\$ 530,364	\$ 1,802,175
Payroll taxes	138,723	9,018	28,678	37,696	176,419
Fringe benefits	128,430	10,984	25,694	36,678	165,108
Total compensation and benefits	1,538,964	199,728	405,010	604,738	2,143,702
Subrecipient expenses	549,047	-	-	-	549,047
Professional fees	147,644	79,912	89,049	168,961	316,605
Occupancy	182,027	20,956	52,518	73,474	255,501
Match support activities	129,168	-	-	-	129,168
IT expenses	66,097	10,711	9,597	20,308	86,405
Insurance	70,164	3,710	8,438	12,148	82,312
Conferences and meetings	44,498	15,338	8,088	23,426	67,924
Telephone	48,529	4,658	4,689	9,347	57,876
Depreciation and interest	25,826	23,669	5,380	29,049	54,875
Miscellaneous	8,990	7,767	19,341	27,108	36,098
Printing	4,579	2,858	18,524	21,382	25,961
Supplies	19,726	2,622	2,609	5,231	24,957
Big Brothers Big Sisters of America	15,951	1,894	2,526	4,420	20,371
Equipment rental and maintenance	11,830	1,452	1,825	3,277	15,107
Travel	12,325	317	812	1,129	13,454
Dues and subscriptions	2,643	8,103	1,069	9,172	11,815
Postage	3,330	1,350	2,766	4,116	7,446
Staff development	1,590	2,375	99	2,474	4,064
Total expenses	\$ 2,882,928	\$ 387,420	\$ 632,340	\$ 1,019,760	\$ 3,902,688

The accompanying notes to financial statements
are an integral part of this statement.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 618,922	\$ 773,279
ADJUSTMENTS TO RECONCILE CHANGE IN NET ACTIVITIES:		
Depreciation	130,383	35,869
Capital campaign contributions	(1,765,170)	(1,109,100)
Net realized and unrealized (gain) loss on investments	(53,196)	20,515
Donated property and equipment	-	(8,350)
Loss on disposal of property	3,785	-
(Increase) decrease in grants and other receivables	(7,411)	70,919
Increase in other assets	(2,017)	(679)
(Increase) decrease in promises to give	(102,621)	176,944
Decrease in accounts payable and accrued expenses	(18,091)	(42,213)
Total adjustments	(1,814,338)	(856,095)
Net cash provided by (used in) operating activities	(1,195,416)	(82,816)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment	(1,520,868)	(513,694)
Disbursements from escrow	-	75,017
Payments for purchases of investments	(73,082)	(8,156)
Proceeds from sales of investments	400,944	233,000
Net cash provided by (used in) investing activities	(1,193,006)	(213,833)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	1,039,533	573,246
Net proceeds from (payments to) line of credit	1,580,000	(50,000)
Payments on note payable	(250,000)	-
Payments on capital lease payable	(64,503)	-
Net cash provided by (used in) financing activities	2,305,030	523,246
NET INCREASE (DECREASE) IN CASH	(83,392)	226,597
CASH, Beginning of year	266,499	39,902
CASH, End of year	\$ 183,107	\$ 266,499
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid, net of \$67,726 and \$69,125 capitalized for 2012 and 2011, respectively	\$ 129,670	\$ 19,006

SUPPLEMENTAL NONCASH INVESTING AND FINANCING ACTIVITIES DISCLOSURE

During the year ended December 31, 2012 and 2011, property and equipment with a cost of \$285,002 and \$3,950,000, respectively, was acquired by entering into a capital lease payable and note payable, respectively.

The accompanying notes to financial statements
are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Big Brothers Big Sisters of Metro Atlanta, Inc. (the "Agency") is a Georgia nonprofit organization that seeks to provide children facing adversity with strong and enduring professionally supported, one-to-one relationships that change their lives for the better, forever. The Agency actively seeks to assist children of every ethnic, racial, national, cultural and religious group in the metropolitan Atlanta area who may need additional positive role models to enrich their lives.

B. The accompanying financial statements have been prepared using the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recognized when incurred.

C. The Agency classifies net assets, revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein have been classified as unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Agency and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that will be maintained permanently by the Agency. Generally, the donors of these assets permit the Agency to use all or part of the income earned on related investments for general or special purposes.

Revenues from sources other than contributions are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate net asset category. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. Contributions of assets other than cash are recorded at estimated fair value at the date of the gift, as determined by independent appraisal or other valuation methods as deemed appropriate by management. Contributions to be received after one year are discounted at a rate commensurate with the risk involved.

Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or relate to permanently restricted endowment net assets.

D. The Agency places its temporary investments with high-credit quality financial institutions. At times, such investments may be in excess of the FDIC insurance limit. Deposits were fully insured at December 31, 2012 and 2011.

E. The Agency records grant revenues over the period of the award and the provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred. Amounts that have been received but not earned are included in accounts payable and accrued expenses on the Statements of Financial Position.

F. Unconditional promises to give and capital campaign pledges receivable are recognized as revenues or gains in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions are substantially met. During the year ended December 31, 2011, the Agency received conditional grants of \$1,000,000 and \$250,000, which are conditional upon the Agency receiving total capital campaign pledges of at least \$5,670,000 and \$5,600,000, respectively, including these grants. During the years ended December 31, 2012 and 2011, the stipulated conditions were not met and, accordingly, revenue was not recorded on the accompanying Statements of Activities and Net Assets.

G. Investments include equities, fixed income instruments and money market accounts that are carried at fair value. Increases and decreases in market value are reported as investment income on the Statements of Activities and Net Assets.

H. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Purchased property and equipment with values greater than or equal to \$500 are stated at historical cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. During the year ended December 31, 2011, the Agency recorded donated property and equipment valued at \$8,350. The Agency acquired land and a building which was in the process of being renovated during 2011 and is included in construction in progress at December 31, 2011. The land and building were placed in service in 2012. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of the assets range from three to thirty-nine years. Depreciation expense was \$130,383 and \$35,869 for the years ended December 31, 2012 and 2011, respectively.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

J. The Agency records donated services if the fair market value of the donated services is readily available and meets the criteria for recognition. There were no donated services meeting these criteria for the years ended December 31, 2012 and 2011.

K. The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, as amended. The Internal Revenue Service has classified the Agency as a publicly supported charitable organization as described in Section 509(a) of the Internal Revenue Code, which allows donors to take the maximum charitable deduction. The Agency is subject to examinations of its tax returns by the U.S. Federal, state and local authorities for three years after the returns are filed. Tax years prior to 2009 are no longer subject to examination.

L. The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Net Assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

M. Subsequent events have been evaluated by management through March 22, 2013, the date these financial statements were available to be issued.

2. PROMISES TO GIVE

Unconditional promises to give were \$399,824 and \$297,203 at December 31, 2012 and 2011, respectively, and are expected to be collected in less than one year.

3. CAPITAL CAMPAIGN PLEDGES

During the years ended December 31, 2012 and 2011, the Agency engaged in a capital campaign to finance the purchase of land and the new building (see Note 4). At December 31, 2012 and 2011, capital campaign pledges receivable were \$1,682,391 and \$956,754, respectively, net of an allowance for doubtful accounts of \$33,400 and \$7,500, respectively. At December 31, 2012 and 2011, the majority of the capital campaign pledges receivable are expected to be collected in less than one year.

4. PROPERTY AND EQUIPMENT

On May 16, 2011, the Agency purchased land and a building for \$4,200,000. In connection with the purchase, the Agency secured a note with the former owners of the purchased property (see Note 7). In connection with the renovation, the Agency secured a line of credit (see Note 6). At December 31, 2012 and 2011, the Agency has capitalized approximately \$1,750,000 and \$255,000, respectively, of renovation costs in addition to the purchase of the land and building. Property and equipment at December 31, 2012 and 2011 consisted of the following:

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Land	\$ 2,108,884	\$ 2,108,884
Building	3,848,027	-
Construction in progress	-	2,354,137
Leasehold improvements	-	267,964
Equipment and computer software	236,713	389,343
Furniture and fixtures	302,199	215,501
 Total	 6,495,823	 5,335,829
Less accumulated depreciation	(322,996)	(834,704)
 Property and equipment, net	 \$ 6,172,827	 \$ 4,501,125

5. INVESTMENTS

U.S. generally accepted accounting principles establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Level 1 within the hierarchy states that valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets. Level 2 within the hierarchy states that valuations are based on quoted prices for similar assets in active markets, quoted prices for identical assets in inactive markets or other observable inputs other than quoted market prices. Level 3 within the hierarchy states that valuations are based on significant unobservable inputs. As of December 31, 2012 and 2011, the only assets that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investments. Such investments are classified within Level 1 of the valuation hierarchy.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

The following is a summary of investments, stated at fair value based on quoted market prices, held at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Equities	\$ 196,305	\$ 339,579
Fixed income instruments	118,548	246,477
Money market	<u>12,974</u>	<u>16,437</u>
Total investments	<u>\$ 327,827</u>	<u>\$ 602,493</u>

The following schedule summarizes investment income for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Net realized and unrealized gain (loss)	\$ 53,196	\$ (20,515)
Interest and dividend income	<u>16,806</u>	<u>28,150</u>
Total investment income	<u>\$ 70,002</u>	<u>\$ 7,635</u>

6. LINES OF CREDIT

The Agency has an unsecured line of credit with a maximum borrowing limit of \$800,000. This line of credit bears interest at the prime rate, subject to a floor of 5.25% and matures November 21, 2013. At December 31, 2012 and 2011, the outstanding balance was \$780,000 and \$200,000, respectively.

During the year ended December 31, 2011, the Agency obtained a line of credit to finance the construction and renovation costs of the building (see Note 4) with a maximum borrowing limit of \$1,000,000. This line of credit bears interest at the prime rate, subject to a floor of 5.25% and matures October 1, 2013. This line of credit is secured by a second mortgage on the land and building. At December 31, 2012, the outstanding balance was \$1,000,000. At December 31, 2011, the Agency had no outstanding borrowings under this line of credit.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

7. NOTE PAYABLE

On May 16, 2011, the Agency obtained a \$3,950,000 note secured by the purchased land and building (see Note 4). The note bears interest at a rate of 3% for the first year, 3.5% for the second year and 4% thereafter until the note is paid in full. Interest is payable monthly commencing June 16, 2011 and principal payments of \$250,000 are due annually. The outstanding principal and accrued interest are due in full upon maturity, which is May 15, 2014. At December 31, 2012 and 2011, the outstanding principal balance was \$3,700,000 and \$3,950,000, respectively.

Future maturities of the note payable are shown below:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2013	\$ 250,000
December 31, 2014	<u>3,450,000</u>
	<u>\$ 3,700,000</u>

8. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2012 and 2011, temporarily restricted net assets consisted of the following:

	<u>2012</u>	<u>2011</u>
Capital campaign	\$ 1,339,163	\$ 1,084,456
Goizueta	234,680	398,065
United Way	169,426	201,685
BBBSA	149,583	85,518
Donor-restricted endowment fund	<u>3,772</u>	<u>1,235</u>
 Total temporarily restricted net assets	 <u>\$ 1,896,624</u>	 <u>\$ 1,770,959</u>

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

Net assets released from restrictions for the years ended December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Capital campaign	\$ 984,456	\$ 482,994
United Way	201,685	242,750
BBBSA	85,518	153,613
Goizueta	163,385	25,000
Donor endowment	<u>343</u>	<u>397</u>
Total net assets released from restrictions	<u>\$ 1,435,387</u>	<u>\$ 904,754</u>

9. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2012 and 2011, permanently restricted net assets consisted of grant funds from the Tull Charitable Foundation of \$25,000.

10. PENSION PLAN

The Agency has established a defined contribution plan for the benefit of its employees. Contributions and costs under the defined contribution pension plan are five percent of each employee's salary. For the years ended December 31, 2012 and 2011, pension expense, net of forfeitures, was \$53,825 and \$52,809, respectively.

11. ENDOWMENT

The Agency's endowment consists of a quasi-endowment, board-designated fund established for a variety of purposes and one donor-restricted endowment fund. Endowment assets include those assets of donor-restricted funds that the Agency must hold in perpetuity for a donor-specified period as well as board-designated funds. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of the Agency has interpreted the Georgia Uniform Prudent Management of Institutional Funds Act of 2006 ("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 Agency classifies the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment

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made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund as permanently restricted net assets. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Directors appropriates funds from the endowment funds based on specific needs and budgeting requirements from year to year. In accordance with UPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Agency and the donor-restricted endowment fund;
- (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 Agency; and,
- (7) The investment policies of the Agency.

The composition of endowment funds at December 31, 2012 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment fund	\$ -	\$ 3,772	\$ 25,000
Board-designated endowment fund	<u>299,055</u>	<u>-</u>	<u>-</u>
Total endowment funds	<u><u>\$ 299,055</u></u>	<u><u>\$ 3,772</u></u>	<u><u>\$ 25,000</u></u>

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The changes in endowment net assets for the year ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 576,258	\$ 1,235	\$ 25,000	\$ 602,493
Investment return:				
Investment income	12,949	584	-	13,533
Net realized and unrealized gain	50,900	2,296	-	53,196
Total investment return	63,849	2,880	-	66,729
Other changes:				
Transfers to remove board-designated endowment funds	(333,414)	-	-	(333,414)
Amounts appropriated for expenditures	(7,638)	(343)	-	(7,981)
Total other changes	(341,052)	(343)	-	(341,395)
Endowment net assets, end of year	<u>\$ 299,055</u>	<u>\$ 3,772</u>	<u>\$ 25,000</u>	<u>\$ 327,827</u>

The composition of endowment funds at December 31, 2011 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Donor-restricted endowment fund	\$ -	\$ 1,235	\$ 25,000
Board-designated endowment fund	576,258	-	-
Total endowment funds	<u>\$ 576,258</u>	<u>\$ 1,235</u>	<u>\$ 25,000</u>

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The changes in endowment net assets for the year ended December 31, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 685,859	\$ 1,507	\$ 25,000	\$ 712,366
Investment return:				
Investment income	23,636	781	-	24,417
Net realized and unrealized loss	(19,859)	(656)	-	(20,515)
Total investment return	<u>3,777</u>	<u>125</u>	<u>-</u>	<u>3,902</u>
Other changes:				
Reinstatement of board-designated endowment funds	136,993	-	-	136,993
Transfers to remove board-designated endowment funds	(233,000)	-	-	(233,000)
Amounts appropriated for expenditures	(17,371)	(397)	-	(17,768)
Total other changes	<u>(113,378)</u>	<u>(397)</u>	<u>-</u>	<u>(113,775)</u>
Endowment net assets, end of year	<u>\$ 576,258</u>	<u>\$ 1,235</u>	<u>\$ 25,000</u>	<u>\$ 602,493</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Agency to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, deficiencies of this nature are reported as reductions in unrestricted net assets. At December 31, 2012 and 2011, no such deficiency existed.

The Agency has adopted investment and spending policies that attempt to preserve endowment assets by using funding, via the annual operating budget, of up to 40% of the

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earnings on the endowment for the prior year. The Board of Directors has additional authority to approve additional funding when operating cash is insufficient. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed common benchmarks for a balanced portfolio, while assuming a moderate level of risk.

To satisfy its long-term rate-of-return objectives, the Agency relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Agency targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

12. RELATED PARTY

During the years ended December 31, 2012 and 2011, the Agency received support from Big Brothers Big Sisters of America ("BBBSA") of \$270,562 and \$33,608, respectively. At December 31, 2012 and 2011, outstanding promises to give from BBBSA were \$158,333 and \$85,518, respectively.

13. LEASES

The Agency has several operating leases for office space and equipment with original lease terms of 24 to 66 months. Rent expense related to the buildings and equipment for the years ended December 31, 2012 and 2011 was \$73,453 and \$177,353, respectively. As of December 31, 2012, future minimum payments required under operating leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2013	\$ 12,844
December 31, 2014	10,164
December 31, 2015	<u>3,388</u>
	<u>\$ 26,396</u>

The Agency leases furniture through a capital lease agreement. The capital lease agreement provides for fixed monthly payments of \$8,892 through March 2015. The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2012:

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Year Ending	Amount
December 31, 2013	\$ 106,704
December 31, 2014	106,704
December 31, 2015	27,531
Total minimum lease payments	240,939
Less amount representing interest	(20,440)
Present value of net minimum capital lease payments	\$ 220,499

The leased equipment has a recorded cost of \$285,002 and related accumulated depreciation of \$58,677 at December 31, 2012.

14. CONCENTRATIONS

During the years ended December 31, 2012 and 2011, approximately 50% and 34%, respectively, of the Agency's public support and revenue were from two entities. At December 31, 2012 and 2011, approximately 82% and 89%, respectively, of the Agency's promises to give were from two donors. At December 31, 2012 and 2011, approximately 74% and 73% of the Agency's capital campaign pledges receivable were from one and four donors, respectively.

15. EFFECT OF CURRENT ECONOMIC CONDITIONS AND CONTRIBUTIONS

The Agency depends heavily on contributions and grants for its revenue. The ability of Agency contributors and grantors to continue giving amounts comparable with prior years may be dependent upon current and future overall economic conditions. While the Agency's Board of Directors believes that the Agency has the resources to continue its programs, its ability to do so and the extent to which it continues may be dependent on the above factors.