



Big Brothers Big Sisters
of Metro Atlanta

**REPORT ON AUDITS OF
FINANCIAL STATEMENTS**

**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
INDEX TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

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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, 2014 and 2013, 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

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

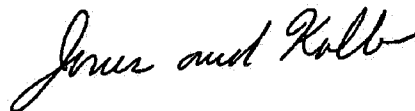
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2014 and 2013, 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.



March 25, 2015

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash	\$ 155,126	\$ 84,035
Grants and other receivables	25,745	23,391
Promises to give	303,440	374,412
Capital campaign pledges receivable, net	391,210	1,000,168
Investments	220,348	217,835
Property and equipment, net	5,971,075	6,187,094
Other assets	<u>28,976</u>	<u>35,775</u>
 Total assets	 <u>\$ 7,095,920</u>	 <u>\$ 7,922,710</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 89,896	\$ 150,333
Lines of credit	2,100,000	2,060,000
Note payable	3,200,000	3,450,000
Capital lease payable	<u>26,752</u>	<u>127,581</u>
 Total liabilities	 <u>5,416,648</u>	 <u>5,787,914</u>

NET ASSETS

Unrestricted		
Undesignated	956,800	857,933
Board designated	<u>188,621</u>	<u>186,422</u>
 Total unrestricted	 1,145,421	 1,044,355
Temporarily restricted	508,851	1,065,441
Permanently restricted	<u>25,000</u>	<u>25,000</u>
 Total net assets	 <u>1,679,272</u>	 <u>2,134,796</u>
 Total liabilities and net assets	 <u>\$ 7,095,920</u>	 <u>\$ 7,922,710</u>

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, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public support				
United Way	\$ 326,196	\$ 183,832	\$ -	\$ 510,028
Grants	227,198	-	-	227,198
Other public support	219,286	-	-	219,286
Corporate contributions	365,492	66,667	-	432,159
Capital campaign contributions	213,928	-	-	213,928
Special events	1,237,261	-	-	1,237,261
Less: Costs of direct benefits to donors	(384,659)	-	-	(384,659)
Total public support	<u>2,204,702</u>	<u>250,499</u>	<u>-</u>	<u>2,455,201</u>
Revenue				
Other income	9,241	-	-	9,241
Investment income	4,938	705	-	5,643
Total revenue	<u>14,179</u>	<u>705</u>	<u>-</u>	<u>14,884</u>
Total public support and revenue	<u>2,218,881</u>	<u>251,204</u>	<u>-</u>	<u>2,470,085</u>
NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS	<u>807,794</u>	<u>(807,794)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	<u>2,050,260</u>	<u>-</u>	<u>-</u>	<u>2,050,260</u>
Support services				
Management and general	400,629	-	-	400,629
Fundraising	474,720	-	-	474,720
Total support services	<u>875,349</u>	<u>-</u>	<u>-</u>	<u>875,349</u>
Total expenses	<u>2,925,609</u>	<u>-</u>	<u>-</u>	<u>2,925,609</u>
CHANGE IN NET ASSETS	101,066	(556,590)	-	(455,524)
NET ASSETS				
Beginning of year	<u>1,044,355</u>	<u>1,065,441</u>	<u>25,000</u>	<u>2,134,796</u>
NET ASSETS				
End of year	<u>\$ 1,145,421</u>	<u>\$ 508,851</u>	<u>\$ 25,000</u>	<u>\$ 1,679,272</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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Public support				
United Way	\$ 302,413	\$ 190,241	\$ -	\$ 492,654
Grants	276,006	-	-	276,006
Other public support	216,021	-	-	216,021
Corporate contributions	420,138	-	-	420,138
Capital campaign contributions	370,900	-	-	370,900
Special events	934,375	-	-	934,375
Less: Costs of direct benefits to donors	(263,307)	-	-	(263,307)
Total public support	<u>2,256,546</u>	<u>190,241</u>	<u>-</u>	<u>2,446,787</u>
Revenue				
Other income	9,835	-	-	9,835
Investment income	23,551	3,043	-	26,594
Total revenue	<u>33,386</u>	<u>3,043</u>	<u>-</u>	<u>36,429</u>
Total public support and revenue	<u>2,289,932</u>	<u>193,284</u>	<u>-</u>	<u>2,483,216</u>
NET ASSETS RELEASED FROM PROGRAM RESTRICTIONS	<u>1,024,467</u>	<u>(1,024,467)</u>	<u>-</u>	<u>-</u>
EXPENSES				
Program services	<u>2,385,645</u>	<u>-</u>	<u>-</u>	<u>2,385,645</u>
Support services				
Management and general	458,785	-	-	458,785
Fundraising	552,577	-	-	552,577
Total support services	<u>1,011,362</u>	<u>-</u>	<u>-</u>	<u>1,011,362</u>
Total expenses	<u>3,397,007</u>	<u>-</u>	<u>-</u>	<u>3,397,007</u>
CHANGE IN NET ASSETS	<u>(82,608)</u>	<u>(831,183)</u>	<u>-</u>	<u>(913,791)</u>
NET ASSETS				
Beginning of year	<u>1,126,963</u>	<u>1,896,624</u>	<u>25,000</u>	<u>3,048,587</u>
NET ASSETS				
End of year	<u>\$ 1,044,355</u>	<u>\$ 1,065,441</u>	<u>\$ 25,000</u>	<u>\$ 2,134,796</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, 2014

	Program Services	Management and General	Support Services		Total
			Fundraising		
Salaries	\$ 910,156	\$ 226,033	\$ 285,140	\$ 511,173	\$ 1,421,329
Payroll taxes	76,279	18,944	23,897	42,841	119,120
Fringe benefits	75,013	18,629	23,501	42,130	117,143
Total compensation and benefits	1,061,448	263,606	332,538	596,144	1,657,592
Professional fees	187,937	45,606	43,641	89,247	277,184
Interest	221,575	29,091	23,501	52,592	274,167
Depreciation	176,851	23,219	18,757	41,976	218,827
Occupancy	108,715	14,273	11,530	25,803	134,518
IT expenses	61,712	5,413	12,721	18,134	79,846
Insurance	46,199	6,066	4,900	10,966	57,165
Telephone	39,359	3,453	8,114	11,567	50,926
Match support activities	44,013	-	-	-	44,013
Equipment rental and maintenance	20,997	2,757	2,227	4,984	25,981
Printing	16,180	1,419	3,335	4,754	20,934
Miscellaneous	15,455	1,356	3,186	4,542	19,997
Big Brothers Big Sisters of America	15,344	1,346	3,163	4,509	19,853
Supplies	11,168	980	2,302	3,282	14,450
Conferences and meetings	10,890	955	2,245	3,200	14,090
Postage	4,876	428	1,005	1,433	6,309
Travel	3,322	291	685	976	4,298
Dues and subscriptions	3,210	282	662	944	4,154
Staff development	1,009	88	208	296	1,305
Total expenses	\$ 2,050,260	\$ 400,629	\$ 474,720	\$ 875,349	\$ 2,925,609

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, 2013

	Program Services	Management and General	Support Services		Total
	\$	\$	\$	\$	\$
Salaries	1,069,509	253,044	307,421	560,465	1,629,974
Fringe benefits	117,180	27,725	33,682	61,407	178,587
Payroll taxes	88,197	20,867	25,351	46,218	134,415
Total compensation and benefits	1,274,886	301,636	366,454	668,090	1,942,976
Professional fees	185,851	51,870	93,898	145,768	331,619
Interest	195,429	25,658	20,727	46,385	241,814
Depreciation	182,140	23,913	19,318	43,231	225,371
Occupancy	117,218	15,390	12,432	27,822	145,040
Match support activities	96,930	-	-	-	96,930
IT expenses	68,291	8,036	8,439	16,475	84,766
Insurance	48,946	6,426	5,191	11,617	60,563
Miscellaneous	41,528	4,887	5,131	10,018	51,546
Telephone	39,495	4,648	4,881	9,529	49,024
Equipment rental and maintenance	32,467	4,263	3,443	7,706	40,173
Big Brothers Big Sisters of America	25,043	2,947	3,095	6,042	31,085
Supplies	17,492	2,058	2,162	4,220	21,712
Conferences and meetings	17,417	2,050	2,152	4,202	21,619
Printing	17,104	2,013	2,114	4,127	21,231
Staff development	9,395	1,106	1,161	2,267	11,662
Postage	6,316	743	781	1,524	7,840
Dues and subscriptions	6,193	729	765	1,494	7,687
Travel	3,504	412	433	845	4,349
Total expenses	2,385,645	458,785	552,577	1,011,362	3,397,007

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, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (455,524)	\$ (913,791)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:		
Depreciation	218,827	225,371
Capital campaign contributions	(213,928)	(370,900)
Net realized and unrealized (gain) loss on investments	(588)	(20,838)
Bad debt expense	-	25,569
Change in grants and other receivables	(2,354)	62,017
Change in promises to give	70,972	(15,907)
Change in other assets	6,799	(17,961)
Change in accounts payable and accrued expenses	(60,437)	30,221
Total adjustments	<u>19,291</u>	<u>(82,428)</u>
Net cash provided by (used in) operating activities	<u>(436,233)</u>	<u>(996,219)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for purchases of property and equipment	(2,808)	(239,638)
Payments for purchases of investments	(42,016)	(172,885)
Proceeds from sales of investments	40,091	303,715
Net cash provided by (used in) investing activities	<u>(4,733)</u>	<u>(108,808)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital campaign contributions	822,886	1,068,873
Net proceeds from lines of credit	40,000	280,000
Payments on note payable	(250,000)	(250,000)
Payments on capital lease payable	(100,829)	(92,918)
Net cash provided by (used in) financing activities	<u>512,057</u>	<u>1,005,955</u>
NET INCREASE (DECREASE) IN CASH	71,091	(99,072)
CASH, Beginning of year	<u>84,035</u>	<u>183,107</u>
CASH, End of year	<u>\$ 155,126</u>	<u>\$ 84,035</u>
SUPPLEMENTAL CASH FLOW DISCLOSURE		
Interest paid	<u>\$ 274,167</u>	<u>\$ 241,814</u>

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, 2014 AND 2013

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, 2014 AND 2013

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 cash with high-credit quality financial institutions. At times, such cash may be in excess of the FDIC insurance limit. Deposits were fully insured at December 31, 2014 and 2013.

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. As of December 31, 2014 and 2013, the Agency has received capital campaign pledges of approximately \$3,740,000 and \$3,530,000, respectively, toward these stipulated conditions. Since the stipulated conditions have not been met, the revenue has not been 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. 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 \$218,827 and \$225,371 for the years ended December 31, 2014 and 2013, respectively.

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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, 2014 and 2013.

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 2011 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 25, 2015, the date these financial statements were available to be issued.

2. PROMISES TO GIVE

Unconditional promises to give were \$303,440 and \$374,412, net of an allowance for doubtful accounts of \$41,319, at December 31, 2014 and 2013, respectively, and are expected to be collected in less than one year.

3. CAPITAL CAMPAIGN PLEDGES

The Agency engaged in a capital campaign to finance the purchase of land and the new building. At December 31, 2014 and 2013, capital campaign pledges receivable were \$391,210 and \$1,000,168, respectively, net of an allowance for doubtful accounts of \$13,719 and \$16,400, respectively. At December 31, 2014 and 2013, the majority of the capital campaign pledges receivable are expected to be collected in less than one year.

4. 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, 2014 and 2013, the only assets that are measured

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

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.

The following is a summary of investments, stated at fair value based on quoted market prices, held at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Equities	\$ 106,696	\$ 112,024
Fixed income instruments	96,835	92,110
Money market	<u>16,817</u>	<u>13,701</u>
Total investments	<u>\$ 220,348</u>	<u>\$ 217,835</u>

The following schedule summarizes investment income for the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Net realized and unrealized gain (loss)	\$ 588	\$ 20,838
Interest and dividend income	<u>5,055</u>	<u>5,756</u>
Total investment income	<u>\$ 5,643</u>	<u>\$ 26,594</u>

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
Land	\$ 2,108,884	\$ 2,108,884
Building	4,062,210	4,062,210
Equipment and computer software	215,845	262,168
Furniture and fixtures	<u>303,455</u>	<u>302,199</u>
Total	6,690,394	6,735,461
Less accumulated depreciation	<u>(719,319)</u>	<u>(548,367)</u>
Property and equipment, net	<u>\$ 5,971,075</u>	<u>\$ 6,187,094</u>

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

6. LINES OF CREDIT

The Agency has a line of credit with a maximum borrowing limit of \$1,100,000 and a maturity date of November 17, 2015. This line of credit bears interest at the prime rate, subject to a floor of 5.25% and is secured by the assets of the Agency's investments. At December 31, 2014 and 2013, the outstanding balance was \$1,100,000 and \$1,060,000, respectively.

The Agency obtained a line of credit to finance the construction and renovation costs of the building 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, 2015. This line of credit is secured by a second mortgage on the land and building. At December 31, 2014 and 2013, the outstanding balance was \$1,000,000.

7. NOTE PAYABLE

On May 16, 2011, the Agency obtained a \$3,950,000 note secured by the purchased land and building. On February 3, 2014, the note was amended to extend the maturity date and modify the principal payment schedule and interest rates. The note bears interest at a rate of 3% for the first year, 3.5% for the second year, 4% for the third year, 4.25% for the fourth year and 4.5% thereafter until the note is paid in full. Interest is payable monthly 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, 2016. At December 31, 2014 and 2013, the outstanding principal balance was \$3,200,000 and \$3,450,000, respectively.

Future maturities of the note payable are shown below:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2015	\$ 250,000
December 31, 2016	<u>2,950,000</u>
	<u>\$ 3,200,000</u>

BIG BROTHERS BIG SISTERS OF METRO ATLANTA, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

8. TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, temporarily restricted net assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Capital campaign	\$ 251,625	\$ 754,162
United Way	183,832	190,241
BBBSA	66,667	45,000
Donor-restricted endowment fund	6,727	6,413
Goizueta	<u>-</u>	<u>69,625</u>
Total temporarily restricted net assets	<u>\$ 508,851</u>	<u>\$ 1,065,441</u>

Net assets released from restrictions for the years ended December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Capital campaign	\$ 502,537	\$ 585,001
United Way	190,241	169,426
Goizueta	69,625	165,055
BBBSA	45,000	104,583
Donor endowment	<u>391</u>	<u>402</u>
Total net assets released from restrictions	<u>\$ 807,794</u>	<u>\$ 1,024,467</u>

9. PERMANENTLY RESTRICTED NET ASSETS

At December 31, 2014 and 2013, permanently restricted net assets consisted of grant funds from the Tull Charitable Foundation of \$25,000.

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10. 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 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.

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The composition of and changes in endowment funds at December 31, 2014 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 186,422	\$ 6,413	\$ 25,000	\$ 217,835
Investment return:				
Investment income	4,424	631	-	5,055
Net realized and unrealized gain	514	74	-	588
Total investment return	4,938	705	-	5,643
Other changes:				
Amounts appropriated for expenditures	(2,739)	(391)	-	(3,130)
Total other changes	(2,739)	(391)	-	(3,130)
Endowment net assets, end of year	<u>\$ 188,621</u>	<u>\$ 6,727</u>	<u>\$ 25,000</u>	<u>\$ 220,348</u>

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The composition of and changes in endowment funds at December 31, 2013 consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 299,055	\$ 3,772	\$ 25,000	\$ 327,827
Investment return:				
Investment income	5,024	651	-	5,675
Net realized and unrealized gain	18,447	2,392	-	20,839
Total investment return	23,471	3,043	-	26,514
Other changes:				
Transfers to remove board-designated endowment funds	(133,000)	-	-	(133,000)
Amounts appropriated for expenditures	(3,104)	(402)	-	(3,506)
Total other changes	(136,104)	(402)	-	(136,506)
Endowment net assets, end of year	<u>\$ 186,422</u>	<u>\$ 6,413</u>	<u>\$ 25,000</u>	<u>\$ 217,835</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, 2014 and 2013, no such deficiency existed.

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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 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.

11. 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 year ended December 31, 2013, pension expense, net of forfeitures, was \$54,368. For the year ended December 31, 2014, the Agency elected to not make contributions to the plan.

12. RELATED PARTY

During the years ended December 31, 2014 and 2013, the Agency received support from Big Brothers Big Sisters of America ("BBBSA") of \$100,000 and \$7,250, respectively. At December 31, 2014 and 2013, outstanding promises to give from BBBSA were \$107,986, and \$48,625, respectively, net of an allowance for doubtful accounts of \$41,319.

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13. LEASES

The Agency has several operating leases for equipment with original lease terms of 36 to 48 months. Rent expense related to the equipment for the years ended December 31, 2014 and 2013 was \$12,912 and \$13,302, respectively. As of December 31, 2014, future minimum payments required under operating leases are as follows:

<u>Year Ending</u>	<u>Amount</u>
December 31, 2015	\$ 6,136
December 31, 2016	2,748
December 31, 2017	<u>2,290</u>
	<u>\$ 11,174</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 present value of the net minimum lease payments as of December 31, 2014 is \$26,752, which is comprised of future minimum lease payments for the year ending December 31, 2015 of \$27,093, net of \$341 of interest. At December 31, 2014 and 2013, the leased equipment has a recorded cost of \$285,002 and related accumulated depreciation of \$258,875 and \$158,287, respectively.

14. CONCENTRATIONS

During the years ended December 31, 2014 and 2013, approximately 21% and 20%, respectively, of the Agency's public support and revenue was from one entity. At December 31, 2014, approximately 94% of the Agency's promises to give were from three donors. At December 31, 2013, approximately 64% of the Agency's promises to give were from two donors. At December 31, 2014, approximately 74% of the Agency's capital campaign pledges receivable were from two donors. At December 31, 2013, approximately 75% of the Agency's capital campaign pledges receivable were from one donor.