

**AUDITED FINANCIAL STATEMENTS**

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

*Springfield, Massachusetts*

**JUNE 30, 2011**

***Boisselle, Morton & Associates, LLP***  
*Certified Public Accountants*

BOISSELLE, MORTON & ASSOCIATES, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

To the Officers and Directors  
**Big Brothers Big Sisters of Hampden County, Inc.**  
Springfield, Massachusetts

**Independent Auditors' Report**

We have audited the accompanying statement of financial position of Big Brothers Big Sisters of Hampden County, Inc. (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Big Brothers Big Sisters of Hampden County, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements and, in our report dated March 25, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Hampden County, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Boisselle, Morton & Associates, LLP*

January 12, 2012

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

## Statement of Financial Position

June 30, 2011 (with comparative totals for June 30, 2010)

	<u>2011</u>	<u>2010</u>
<u>Assets</u>		
Current Assets		
Cash	\$ 229,989	\$ 249,685
Short-term investments	102,547	101,933
Accounts receivable	2,150	28,816
Prepaid expenses	3,460	7,862
Total Current Assets	<u>338,146</u>	<u>388,296</u>
Property and Equipment, net	<u>18,177</u>	<u>25,994</u>
Long-Term Investments	<u>42,595</u>	<u>39,815</u>
Total Assets	<u>\$ 398,918</u>	<u>\$ 454,105</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 30,977	\$ 33,880
Deferred revenue	11,630	40,530
Total Current Liabilities	<u>42,607</u>	<u>74,410</u>
Net Assets		
Unrestricted	318,371	323,675
Temporarily restricted	37,940	56,020
Total Net Assets	<u>356,311</u>	<u>379,695</u>
Total Liabilities and Net Assets	<u>\$ 398,918</u>	<u>\$ 454,105</u>

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

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

## Statement of Activities

Year Ended June 30, 2011

(with comparative totals for year ended June 30, 2010)

	2011		2010
	Unrestricted	Temporarily Restricted	Total
Support, Gains, and Other Revenue			
Federal grants	\$ 103,185		\$ 103,185
Contributions	160,151	\$ 22,270	182,421
Hartsprings Foundation Income	298,500		298,500
Fundraising events, net	71,373		71,373
United Way of Pioneer Valley	46,640		46,640
Donated materials and services	30,754		30,754
Investment income	3,001		3,001
Miscellaneous	1,166		1,166
Unrealized market gains	2,122		2,122
Net assets released from restrictions	40,350	(40,350)	
Total Support, Gains, and Other Revenue	757,242	(18,080)	739,162
Expenses and Losses			
Program services	645,875		645,875
Administration	45,797		45,797
Fundraising	70,874		70,874
Total expenses	762,546		762,546
Unrealized market loss			177
Total Expenses and Losses	762,546		762,546
Change in Net Assets	(5,304)	(18,080)	(23,384)
Net Assets - beginning of year	323,675	56,020	379,695
Net Assets - end of year	\$ 318,371	\$ 37,940	\$ 356,311

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

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

## Statement of Functional Expenses

Year Ended June 30, 2011

(with comparative totals for year ended June 30, 2010)

	2011				2010
	Program Services	Administration	Fundraising	Total	Total
Salaries and wages	\$ 417,888	\$ 14,635	\$ 55,300	\$ 487,823	\$ 428,986
Payroll taxes	41,243	906	3,172	45,321	39,540
Employee benefits	30,060	656	2,101	32,817	28,472
Occupancy	35,132	1,528	1,528	38,188	37,299
Donated materials and services	23,604		7,150	30,754	14,300
Professional fees	8,824	14,924		23,748	33,958
Public relations and recruitment	14,463			14,463	7,689
Insurance	7,483	1,871		9,354	13,338
National and regional dues	9,295			9,295	8,681
Printing and newsletter	8,878	100	100	9,078	11,723
Travel	8,255	359	359	8,973	13,685
Conferences, education and meetings	8,491			8,491	12,700
Depreciation		7,817		7,817	8,795
Temporary help	5,899	328	328	6,555	7,662
Telephone	5,707	248	248	6,203	7,186
Office supplies and expense	5,468	238	238	5,944	4,432
Postage	4,719	205	205	5,129	6,229
Program supplies	3,688			3,688	3,161
Equipment rental and maintenance	3,331	145	145	3,621	5,835
Licenses, dues and fees	1,567	826		2,393	5,698
Computers and small equipment	1,880			1,880	14,710
Miscellaneous		1,011		1,011	406
Joseph Montori Memorial Scholarship					980
Total Expenses	\$ <u>645,875</u>	\$ <u>45,797</u>	\$ <u>70,874</u>	\$ <u>762,546</u>	\$ <u>715,465</u>

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

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

## Statement of Cash Flows

Year Ended June 30, 2011

(with comparative totals for year ended June 30, 2010)

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets	\$ (23,384)	\$ 58,444
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	7,817	8,795
Unrealized market (gain) loss	(2,122)	177
Other changes in assets and liabilities		
Short-term investments	(614)	(1,938)
Accounts receivable	26,666	(24,955)
Grants receivable		5,000
Prepaid expenses	4,402	(124)
Accounts payable and accrued expenses	(2,903)	12,045
Deferred revenue	(28,900)	(67,001)
Net cash used by operating activities	<u>(19,038)</u>	<u>(9,557)</u>
Cash flows from investing activities		
Purchase of investments	<u>(658)</u>	<u>(1,826)</u>
Net cash used by investing activities	<u>(658)</u>	<u>(1,826)</u>
Net decrease in cash	(19,696)	(11,383)
Cash - beginning of year	<u>249,685</u>	<u>261,068</u>
Cash - end of year	<u>\$ 229,989</u>	<u>\$ 249,685</u>

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

# BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.

Notes to Financial Statements

June 30, 2011

## 1. Organization Activity and Summary of Significant Accounting Policies

Big Brothers Big Sisters of Hampden County, Inc. (the Organization) is a non-profit agency incorporated for the purpose of strengthening the community's future through one-to-one mentoring services to children and youth. The Organization is financed through money raised by Hartsprings Foundation, Inc. (See Note 6), public and private grants, donations and fundraising activities.

*a. Basis of Accounting:* The financial statements of Big Brothers Big Sisters of Hampden County, Inc. have been prepared on the accrual basis of accounting.

*b. Financial Statement Presentation:* The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The restricted classes are created only by donor-imposed restrictions. All other net assets are legally unrestricted and are reported as part of the unrestricted class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.

Contributions of services are recognized as revenue if they (a) create or enhance non-financial assets or (b) if they require specialized skills which are provided by individuals possessing those skills and if such services would typically need to be purchased if not provided by donations. Contributions of materials are recognized as revenue at their fair market value.

*c. Expense Allocation:* The costs of providing the program services and supporting services of the Organization have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

*d. Use of Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

*e. Property and Equipment:* Property and equipment are recorded at cost, or if donated, at fair value. Depreciation is provided over the estimated useful lives of the assets using the straight-line basis. The Organization capitalizes property and equipment over \$2,000.

*f. Income Taxes:* The Organization is exempt from federal and state income taxes as a public charity under the authority of Internal Revenue Code Section 501(c)(3). Accordingly, no provision has been made for income tax expense.

Professional accounting standards provide detailed guidance for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions. They require an entity to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. A tax position is deemed to include such things as the organization's tax exempt status.

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

Notes to Financial Statements (Continued)

June 30, 2011

1. Organization Activity and Summary of Significant Accounting Policies (Continued)

*f. Income Taxes (Continued):* Management has not identified any uncertain tax positions and, therefore, no liability has been recorded in the financial statements. The Organization's income tax filings are subject to audit by the Internal Revenue Service. The Organization's open audit periods are 2008-2010.

*g. Investments:* Investments are stated at market value on the statement of financial position. Short-term investments consisted of certificates of deposit with terms less than one year. Long-term investments consisted of certificates of deposit with one year or longer terms and one publicly traded corporate stock.

*h. Fair Value Measurements:* Accounting standards have established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Inputs to the valuation methodology for the three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable and significant to the fair value measurement.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

2. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$34,875	\$34,875
Furniture and fixtures	10,470	10,470
Equipment	<u>48,582</u>	<u>48,582</u>
	93,927	93,927
Less accumulated depreciation	<u>75,750</u>	<u>67,933</u>
	<u>\$18,177</u>	<u>\$25,994</u>

Depreciation expense was \$7,817 and \$8,795 for the years ended June 30, 2011 and 2010, respectively.



**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

Notes to Financial Statements (Continued)

June 30, 2011

**3. Long-term Investments**

Long-term investments consisted of the following at June 30, 2011:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Cumulative Market Gain</u>
Certificates of deposit	\$26,277	\$26,277	\$ -0-
Corporate stock	<u>10,000</u>	<u>16,318</u>	<u>6,318</u>
	<u>\$36,277</u>	<u>\$42,595</u>	<u>\$6,318</u>

Long-term investments consisted of the following at June 30, 2010:

	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Cumulative Market Gain</u>
Certificates of deposit	\$25,619	\$25,619	\$ -0-
Corporate stock	<u>10,000</u>	<u>14,196</u>	<u>4,196</u>
	<u>\$35,619</u>	<u>\$39,815</u>	<u>\$4,196</u>

**4. Line of Credit**

As of June 30, 2011 and 2010, the Organization had a \$10,000 line of credit with a local financial institution. There were no borrowings outstanding at June 30, 2011 and 2010.

**5. Rental Commitment**

The Organization has a three-year lease for office space requiring payments of \$2,538 per month through April 2012. Total rent expense of \$30,540 and \$30,500, which includes miscellaneous fees, is included in occupancy on the statement of functional expenses for the years ended June 30, 2011 and 2010, respectively.

Future minimum lease payments for the years ended June 30:

2012	\$25,380
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**6. Related Party Transactions**

Donations - Hartsprings Foundation, Inc., a tax-exempt organization, was organized to raise funds to support Big Brothers Big Sisters. Under an agreement with Hartsprings Foundation, Inc., Big Brothers Big Sisters of Hampden County, Inc. receives the net cash flow of the Foundation in return for services to be provided to the Foundation as needed. The Organization had revenue of \$298,500 and \$150,000 from Hartsprings Foundation, Inc. for the fiscal years ended June 30, 2011 and 2010, respectively.

Office Space Rental - The Organization rents its office space from a company owned by a member of the Board of Directors (See Note 5).

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

Notes to Financial Statements (Continued)

June 30, 2011

7. Pension

The Organization maintains a Simplified Employee Pension (SEP) Plan that covers all employees who earn \$400 or more during the year. The Board of Directors determines contributions annually. At June 30, 2011 and 2010, the SEP contribution were \$20,891 and \$16,347, respectively, which are included in employee benefits on the statement of functional expenses. The Organization also sponsors a 403(b) plan that all employees may participate in. The Organization does not match any contributions made to the 403(b) plan.

8. Donated Materials and Services

The Organization is grateful to the many supporters who donate time and materials to their programs.

The following meet the requirements for recording as described in Note 1:

	<u>2011</u>	<u>2010</u>
Events and related	<u>\$30,754</u>	<u>\$14,300</u>

In addition, a substantial number of volunteers have donated time to work in the program service, administration and fundraising areas. This time does not meet the criteria for recording as described in Note 1.

9. Temporarily Restricted Net Assets

The Organization had temporarily restricted net assets of \$46,070 at June 30, 2011, consisting of \$27,500 for the Mentor Springfield program and \$18,570 for the Joseph Montori Memorial Scholarship Fund. The Joseph Montori Memorial Scholarship Fund is available only for scholarships for current or former little brothers and sisters to further their education. There were no scholarships made during the year ended June 30, 2011.

The Organization had temporarily restricted net assets of \$56,020 at June 30, 2010, consisting of \$37,850 for the Mentor Springfield program and \$18,170 for the Joseph Montori Memorial Scholarship Fund. There was one Joseph Montori Memorial Scholarship for \$980 awarded during the year ended June 30, 2010.

10. Subsequent Events

Management has evaluated subsequent events through January 12, 2012, the date on which the financial statements were available to be issued, and concluded that no additional disclosures were necessary.

11. Concentrations

The Organization has an economic dependence on Hartsprings Foundation, Inc. (See Note 6). Hartsprings Foundation revenue was 40% of the total revenue of the Organization for the year ended June 30, 2011. Management anticipates much less revenue from Hartsprings Foundation, Inc. for the year ended June 30, 2012.

**BIG BROTHERS BIG SISTERS OF HAMPDEN COUNTY, INC.**

Notes to Financial Statements (Continued)

June 30, 2011

12. Fair Value Measurements

Fair values of assets measured on a recurring basis at June 30, 2011, were as follows:

	Fair Value <u>(Level 1)</u>
Short-term investments	
Certificates of Deposit	<u>\$102,547</u>
Long-term investments	
Securities	16,318
Certificates of Deposit	<u>26,277</u>
Total Long-term investments	<u>42,595</u>
Total Investments	<u>\$145,142</u>

Fair values of assets measured on a recurring basis at June 30, 2010, were as follows:

	Fair Value <u>(Level 1)</u>
Short-term investments	
Certificates of Deposit	<u>\$101,933</u>
Long-term investments	
Securities	14,196
Certificates of Deposit	<u>25,619</u>
Total Long-term investments	<u>39,815</u>
Total Investments	<u>\$141,748</u>

Fair values for securities and certificates of deposit were determined by reference to quoted market prices and other relevant information generated by market transactions.

13. Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.