

**BIG BROTHERS BIG SISTERS  
OF EASTERN MISSOURI, INC. AND SUBSIDIARY**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**Years Ended December 31, 2010 and 2009**

# **BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**

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## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
Big Brothers Big Sisters of Eastern Missouri, Inc.

We have audited the accompanying consolidated statements of financial position of Big Brothers Big Sisters of Eastern Missouri, Inc. and Subsidiary (Missouri not-for-profit corporations) (collectively the Organization) as of December 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Eastern Missouri, Inc. and Subsidiary as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*UHY* LLP

St. Louis, Missouri  
June 7, 2011

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
CASH AND CASH EQUIVALENTS	\$ 259,772	\$ 749,685
CONTRIBUTIONS RECEIVABLE	2,450,030	5,530,283
GRANTS RECEIVABLE	493,049	332,034
PREPAID EXPENSES	15,855	19,666
INVESTMENTS	4,192,693	1,063,935
PROPERTY AND EQUIPMENT, NET	398,793	396,653
NOTE RECEIVABLE	<u>5,793,864</u>	<u>5,736,238</u>
Total assets	<u>\$ 13,604,056</u>	<u>\$ 13,828,494</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 135,835	\$ 204,811
Note payable to bank	505,000	-
Capital lease obligation	34,352	27,504
Long-term debt	<u>2,354,772</u>	<u>2,838,949</u>
Total liabilities	<u>3,029,959</u>	<u>3,071,264</u>
<b>NET ASSETS</b>		
Unrestricted		
Undesignated, available for operations	7,337,948	7,711,145
Board designated for investment	1,014,769	1,014,769
Board designated for cash management	<u>451,631</u>	<u>422,507</u>
	8,804,348	9,148,421
Temporarily restricted	<u>1,769,749</u>	<u>1,608,809</u>
Total net assets	<u>10,574,097</u>	<u>10,757,230</u>
Total liabilities and net assets	<u>\$ 13,604,056</u>	<u>\$ 13,828,494</u>

See notes to consolidated financial statements.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF ACTIVITIES**

	Year Ended December 31, 2010		Year Ended December 31, 2009	
	Unrestricted	Temporarily Restricted	Total	Total
<b>SUPPORT AND REVENUES</b>				
Contributions	\$ 722,958	\$ 988,083	\$ 1,711,041	\$ 6,385,722
United Way allocation	5,545	445,811	451,356	430,812
Grants	603,585	267,800	871,385	918,267
In-kind donations	336,494	-	336,494	252,635
Special events, including contributions of \$449,029 and \$438,027, and net of direct expenses of \$88,395 and \$74,830, respectively	368,784	-	368,784	363,197
Program service fees	597	-	597	1,406
Contract services - Amachi initiative	54,500	-	54,500	55,392
Net investment income	207,249	-	207,249	98,284
Loss on disposal of assets	-	-	-	(2,332)
Net assets released from restrictions	1,540,754	(1,540,754)	-	1,094,023
Total support and revenues	<u>3,840,466</u>	<u>160,940</u>	<u>4,001,406</u>	<u>8,154,603</u>
				<u>348,780</u>
				<u>8,503,383</u>
<b>EXPENSES</b>				
Matching and mentoring program	3,464,047	-	3,464,047	3,144,887
Management and general	305,513	-	305,513	243,431
Fund raising	414,979	-	414,979	400,011
Total expenses	<u>4,184,539</u>	-	<u>4,184,539</u>	<u>3,788,329</u>
<b>CHANGES IN NET ASSETS</b>				
NET ASSETS, Beginning	(344,073)	160,940	(183,133)	4,715,054
NET ASSETS, Ending	<u>9,148,421</u>	<u>1,608,809</u>	<u>10,757,230</u>	<u>6,042,176</u>
				<u>1,260,029</u>
				<u>\$ 9,148,421</u>
				<u>\$ 1,608,809</u>
				<u>\$ 10,757,230</u>

See notes to consolidated financial statements.

# BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY

## CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2010			Year Ended December 31, 2009				
	Matching and Mentoring Program	Management and General	Fund Raising	Total	Matching and Mentoring Program	Management and General	Fund Raising	Total
AMACHI INITIATIVE (*)	1,991	211	36,000	38,202	\$ 11,635	\$ 1,236	\$ 36,000	\$ 48,871
BACKGROUND CHECKS	11,438	-	-	11,438	14,243	-	-	14,243
BAD DEBTS	9,075	-	-	9,075	-	-	-	-
CONFERENCES AND TRAVEL	54,937	5,834	-	60,771	50,814	5,396	-	56,210
DEPRECIATION	58,173	4,914	9,178	72,265	45,164	3,815	7,125	56,104
DONATED MATERIALS	152,849	-	-	152,849	61,961	-	-	61,961
DONATED RENT	83,601	7,062	13,189	103,852	83,601	7,062	13,189	103,852
DONATED SERVICES	162,387	-	-	162,387	165,970	-	-	165,970
EMPLOYEE BENEFITS	282,536	23,866	44,574	350,976	237,461	20,059	37,463	294,983
EQUIPMENT REPAIRS	27,014	2,869	-	29,883	9,451	1,004	-	10,455
INSURANCE	48,690	4,113	7,682	60,485	52,556	4,440	8,291	65,287
INTEREST	65,024	-	-	65,024	136,183	-	-	136,183
MILEAGE	20,286	2,154	-	22,440	23,349	2,480	-	25,829
MISCELLANEOUS	39,243	4,166	-	43,409	25,364	2,694	-	28,058
OCCUPANCY	60,385	5,102	9,526	75,013	59,421	5,019	9,374	73,814
ORGANIZATION DUES	40,975	-	-	40,975	32,654	-	-	32,654
PAYROLL TAXES	137,798	11,640	21,740	171,178	123,165	10,404	19,431	153,000
POSTAGE	11,451	1,216	-	12,667	12,783	1,357	-	14,140
PRINTING	50,596	5,373	-	55,969	47,870	5,083	-	52,953
PROFESSIONAL FEES	32,955	3,500	-	36,455	40,420	4,292	-	44,712
ACCOUNTING	40,653	4,317	-	44,970	-	-	-	-
CONSULTING	-	-	24,525	24,525	-	-	25,709	25,709
LOBBYING	13,351	-	-	13,351	44,907	-	-	44,907
STAFFING	-	-	-	-	-	-	-	-
FUND RAISING	-	-	-	-	-	-	3,750	3,750
OTHER	25,789	2,739	-	28,528	9,266	984	-	10,250
SALARIES	1,866,549	205,047	229,895	2,301,491	1,672,562	155,132	217,543	2,045,237
SUPPLIES	20,399	2,008	1,149	23,556	23,190	2,188	1,991	27,369
TELEPHONE	26,909	2,273	4,245	33,427	21,938	1,853	3,461	27,252
UTILITIES	84,154	7,109	13,276	104,539	105,753	8,933	16,684	131,370
VOLUNTEER ACTIVITIES	34,839	-	-	34,839	33,206	-	-	33,206
	<u>\$ 3,464,047</u>	<u>\$ 305,513</u>	<u>\$ 414,979</u>	<u>\$ 4,184,539</u>	<u>\$ 3,144,887</u>	<u>\$ 243,431</u>	<u>\$ 400,011</u>	<u>\$ 3,788,329</u>
	82.8 %	7.3 %	9.9 %	100.0 %	83.0 %	6.4 %	10.6 %	100.0 %

(\*) 2010 expenses included lobbying \$36,098 (\$36,000 for 2009), travel \$1,185 (\$4,082 for 2009), printing \$218 (\$1,279 for 2009), and other expense \$701 (\$7,510 for 2009).

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>Years Ended December 31,</u>	
	<u>2010</u>	<u>2009</u>
<b>OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (183,133)	\$ 4,715,054
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Noncash donation due to forgiveness of debt	-	(1,850,000)
Interest income added to note receivable	(57,626)	(57,053)
Interest expense added to long-term debt	15,823	15,586
Depreciation	72,265	56,104
Loss on disposal of assets	-	2,332
Rent expense related to multi-year pledge	103,852	103,852
Contributions restricted for capital campaign		
Discount of unconditional promises-to-give	(14,365)	(26,234)
Unrealized gain on investments	(29,884)	(28,842)
Realized gain on investments	(5,302)	(2,400)
Changes in		
Contributions receivable	2,766,184	(2,791,972)
Grants receivable	(161,015)	224,812
Prepaid expenses	3,811	3,179
Accounts payable and accrued expenses	(68,976)	(8,083)
Net cash provided by operating activities	<u>2,441,634</u>	<u>356,335</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(52,412)	(7,675)
Purchase of investments	(10,816,038)	(688,814)
Proceeds from sale of investments	7,722,467	1,103,155
Net cash provided (used) by investing activities	<u>(3,145,983)</u>	<u>406,666</u>
<b>FINANCING ACTIVITIES</b>		
Collections restricted for capital campaign	224,581	386,048
Net borrowings (payments) on note payable to bank	505,000	(260,000)
Repayment of long-term debt	(500,000)	(500,000)
Payment on capital lease obligation	(15,145)	(4,890)
Net cash provided (used) by financing activities	<u>214,436</u>	<u>(378,842)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(489,913)</b>	<b>384,159</b>
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<b><u>749,685</u></b>	<b><u>365,526</u></b>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<b><u>\$ 259,772</u></b>	<b><u>\$ 749,685</u></b>
<b>SUPPLEMENTAL INFORMATION</b>		
Interest paid	<u>\$ 65,024</u>	<u>\$ 136,183</u>
Noncash investing and financing transaction		
Equipment acquired under capital lease obligation	<u>\$ 21,993</u>	<u>\$ 32,394</u>

See notes to consolidated financial statements.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist in understanding the Organization's consolidated financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the consolidated financial statements.

**History and Business Activity**

Big Brothers Big Sisters of Eastern Missouri, Inc. (BBBS) is a not-for-profit corporation organized to promote the welfare of children and to advance and promote public interest in children. The Organization accomplishes this by providing professionally screened volunteers to serve as positive role models in one-to-one friendships with youth ages 5 to 17. Big Brothers Big Sisters of Eastern Missouri, Inc. was founded locally in 1914 and serves youth residing in St. Louis City, St. Louis County, St. Charles County, Jefferson County, Scott County, and Cape Girardeau and has offices in St. Louis City, St. Peters, and Cape Girardeau.

BBBS is the oldest and largest one-to-one mentoring organization in the state of Missouri. Additionally, with more than 2,700 young people served annually in one-to-one mentoring relationships, BBBS is the 13th largest affiliate in the Big Brothers Big Sisters of America federation of 400 agencies.

BBBS has been awarded the four largest annual awards from its national headquarters in Philadelphia. BBBS was selected out of 400 affiliate agencies for its commitment to excellence. Awards include Agency of the Year, Board of the Year, Staff of the Year (Margaret Slack Award) and # 1 Quality Award.

Mentor Missouri, Inc. (Mentor Missouri) is a not-for-profit corporation formed by BBBS on July 5, 2007 to promote and support the charitable activities of BBBS. Initially, Mentor Missouri is acting as a financial conduit for BBBS to make investments which promote BBBS's efforts to foster youth mentoring. Specifically, Mentor Missouri has loaned funds to an investment fund which invested in two community development entities which in turn made loans for the rehabilitation of a historic building in St. Louis (the Woolworth building). Mentor Missouri received these loan funds from loans it received from BBBS, The Kranzberg Arts Foundation (Kranzberg) (a charitable trust formed under the laws of the state of Missouri), and Grand Center, Inc. (a Missouri not-for-profit corporation). These loans made to Mentor Missouri were necessary to complete the rehabilitation of the Woolworth building and allowed BBBS and Kranzberg to lease space in the newly renovated Woolworth building. The Woolworth building project is more fully described in Note 17.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of BBBS and its subsidiary, Mentor Missouri. All significant intercompany investments, transactions and account balances have been eliminated in consolidation.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. One significant estimate relates to the valuation of the in-kind rent. The Organization used market value study as a valuation technique.

**Financial Statement Presentation**

The Organization's resources are classified for accounting and reporting purposes into two asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

**Unrestricted Net Assets** - Includes resources available for support of operations, which have no donor-imposed restrictions. Included in unrestricted net assets are Board designated net assets for which the governing board, rather than a donor or other outside agency, has designated net assets to be reserved for investment and cash management.

**Temporarily Restricted Net Assets** - Includes unconditional promises-to-give, received or receivable, for which donor-imposed restrictions have not been met.

**Permanently Restricted Net Assets** - Includes those resources subject to a donor-imposed restriction that will be maintained permanently by the Organization. There are no permanently restricted net assets.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and short-term investments that are easily converted to cash, including money market mutual funds.

The Organization's cash deposits in financial institutions are insured by FDIC insurance which is subject to certain limitations and conditions.

**Contributions Receivable**

Promises to contribute are recorded as receivables in the year the pledge is made. Contributions expected to be received in future years are discounted to their present value at the Organization's incremental borrowing rate. At December 31, 2010 and 2009, management considers contributions receivable to be fully collectible; accordingly, no allowance for uncollectible pledges is recorded.

**Grants Receivable**

Grants receivable consists of grants from federal and nonfederal government agencies. At December 31, 2010 and 2009, management considers grants receivable to be fully collectible; accordingly, no allowance for uncollectible grants is recorded.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Investments**

Investments are presented in the consolidated financial statements at fair value. The fair value of all securities is determined by quoted market prices. Gains or losses on securities are based on the average cost method.

The Organization's investments are held by a securities brokerage firm. The brokerage firm's accounts are insured by the Securities Investor Protection Corporation (SIPC). Account protection does not protect against losses due to market fluctuations.

**Fair Value Measurements**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Declines in the fair value of individual investments below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Organization to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

**Contributions and Grants**

All contributions are considered to be available for the general programs of the Organization unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted contributions are recorded in the temporarily restricted class for restrictions expiring during the fiscal year, and then transferred to the unrestricted class.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions and Grants (Continued)**

The Organization participates in the Youth Opportunities Program (YOP) that provides tax credits to its donors. The Organization's YOP contributions were \$498,499 and \$394,256 for the years ended December 31, 2010 and 2009, respectively. These contributions included donated stock of \$28,537 and \$34,182 for the years ended December 31, 2010 and 2009, respectively. The Organization's policy is to convert stock donations into cash upon receipt.

Grants are generally recognized as income in the period that specific services are performed. However, certain grants may qualify as contributions, and accordingly, they are recognized as support when made.

**Program Service Fees**

Revenues from program service fees are recognized in the period that the program services were provided.

**In-Kind Donations**

The Organization periodically receives materials, including advertising and tickets to cultural and sporting events. These materials are used in the matching and mentoring program.

The Organization periodically receives donations of services and equipment. In addition, in July 2007, BBBS signed a multi-year below market lease that resulted in the recording of a significant temporarily restricted in-kind contribution. When donated services and equipment (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, the fair market value of the donation is recorded as contribution revenue in the period received. Those services, which are reflected as in-kind donations in the accompanying consolidated statements of activities, include the following:

	Years Ended December 31,			
	Revenues		Expenses	
	2010	2009	2010	2009
Materials	\$ 152,849	\$ 61,961	\$ 152,849	\$ 61,961
Rent (Notes 14 and 17)	21,258	24,704	103,852	103,852
Services	162,387	165,970	162,387	165,970
	<u>\$ 336,494</u>	<u>\$ 252,635</u>	<u>\$ 419,088</u>	<u>\$ 331,783</u>

In addition, volunteers have donated time to the Organization. No amounts have been reflected in the consolidated financial statements for volunteer services as there is no objective basis available to measure the value of such services.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation. The Organization capitalizes additions of property and equipment in excess of \$2,000 cost or fair value, if donated. Depreciation is provided on the straight-line basis over the following estimated useful lives of the assets:

	<u>Years</u>
Computer Equipment	2 - 7
Furniture and Fixtures	7 - 15

**Income Taxes**

The Internal Revenue Service has determined that the Organizations are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Mentor Missouri is considered as a disregarded entity for tax return reporting purposes, and accordingly, its activities and financial results are reported as part of the Form 990 filed by BBBS.

The Organization's federal and state income tax returns are available for examination for the statutory period.

**Functional Expenses**

Functional expenses have been allocated between matching and mentoring program, management and general, and fund raising based on an analysis of personnel time and related activities.

**Reclassifications**

Certain reclassifications have been made to the consolidated financial statements for the year ended December 31, 2009 to conform to the year ended December 31, 2010 presentation.

**Subsequent Events**

The Organization has performed a review of events subsequent to the consolidated statements of financial position date through June 7, 2011, the date the consolidated financial statements were available to be issued.

**NOTE 2 — CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

	<u>December 31,</u>	
	<u>2010</u>	<u>2009</u>
Checking	\$ 153,834	\$ 544,113
Money Market	<u>105,938</u>	<u>205,572</u>
Total cash and cash equivalents	<u>\$ 259,772</u>	<u>\$ 749,685</u>

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 2 — CASH AND CASH EQUIVALENTS (Continued)**

Cash and cash equivalents are segregated into undesignated, Board designated, and restricted as follows:

	December 31,	
	2010	2009
Undesignated	\$ (80,860)	\$ 4,224
Board Designated for Cash Management	273,707	373,341
Restricted - Purpose	<u>66,925</u>	<u>372,120</u>
Total cash and cash equivalents	<u>\$ 259,772</u>	<u>\$ 749,685</u>

**NOTE 3 — CONTRIBUTIONS RECEIVABLE**

Contributions receivable consists of the following:

	December 31,	
	2010	2009
Amounts Due		
Less than one year		
United Way	\$ 415,811	\$ 407,729
Government Grants	442,316	332,034
Capital Campaign	511,182	399,148
In-Kind Rent	103,852	103,852
Private Foundation	-	3,000,000
Other	<u>268,564</u>	<u>46,535</u>
	<u>1,741,725</u>	<u>4,289,298</u>
One to five years		
Capital Campaign	210,670	547,286
Government Grants	50,733	-
In-Kind Rent	398,098	501,950
Other	<u>138,466</u>	<u>324,732</u>
	<u>797,967</u>	<u>1,373,968</u>
Subtotal before discount and allowance	2,539,692	5,663,266
Discount	(89,662)	(132,983)
Allowance for Doubtful Collections	-	-
	<u>\$ 2,450,030</u>	<u>\$ 5,530,283</u>

Contributions receivable due in more than one year are reflected in the consolidated financial statements at the present value of estimated future cash flows using discount rates ranging from 2% to 4.27%.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 4 — INVESTMENTS**

Investments at fair value consist of the following:

	December 31,	
	2010	2009
Securian Investments		
Money market funds - sweep account	\$ 226,562	\$ 290,355
Exchange traded funds - Government	507,330	-
Mutual funds		
Bond funds	2,291,323	501,760
Equity funds	1,167,478	271,820
	<u>\$ 4,192,693</u>	<u>\$ 1,063,935</u>

Investments are allocated between the following net assets:

	December 31,	
	2010	2009
Undesignated	\$ 3,000,000	\$ -
Board Designated for Investment	1,014,769	1,014,769
Board Designated for Cash Management	177,924	49,166
	<u>\$ 4,192,693</u>	<u>\$ 1,063,935</u>

The aggregate cost of investments at December 31, 2010 and 2009, was \$4,185,379 and \$1,086,505, respectively.

Net investment income consists of the following:

	Years Ended December 31,	
	2010	2009
Interest and Dividends		
Cash and cash equivalents	\$ 20,865	\$ 7,256
Investments	113,807	7,910
Note receivable	57,626	57,053
	192,298	72,219
Realized Gain on Investments	5,302	2,400
Unrealized Gain on Investments	29,884	28,842
	227,484	103,461
Investment Management Fees	(20,235)	(5,177)
	<u>\$ 207,249</u>	<u>\$ 98,284</u>

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 5 — FAIR VALUE DISCLOSURE**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information on how the Organization measures fair value, see Note 1 - Summary of Significant Accounting Policies to the consolidated financial statements.

The following are the major categories of assets and liabilities measured at fair value on a recurring basis:

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Fair Value
<b>December 31, 2010</b>				
Investments				
Money Market Funds	\$ 226,562	\$ -	\$ -	\$ 226,562
Exchange Traded Funds - Government	507,330	-	-	507,330
Mutual Funds				
Bond Funds	2,291,323	-	-	2,291,323
Equity Funds	1,167,478	-	-	1,167,478
	<u>\$ 4,192,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,192,693</u>
<b>December 31, 2009</b>				
Investments				
Money Market Funds	\$ 290,355	\$ -	\$ -	\$ 290,355
Mutual Funds				
Bond Funds	501,760	-	-	501,760
Equity Funds	271,820	-	-	271,820
	<u>\$ 1,063,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,063,935</u>

Gains included in revenue are reported in net investment income as follows:

	Years Ended December 31,	
	2010	2009
Unrealized Gain on Investments	\$ 29,884	\$ 28,842
Realized Gain on Investments	5,302	2,400
	<u>\$ 35,186</u>	<u>\$ 31,242</u>

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 6 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	December 31,	
	2010	2009
Computer Equipment and Software	\$ 266,882	\$ 193,280
Furniture and Fixtures	<u>304,563</u>	<u>304,562</u>
	571,445	497,842
Less Accumulated Depreciation	<u>172,652</u>	<u>101,189</u>
	<u>\$ 398,793</u>	<u>\$ 396,653</u>

**NOTE 7 — NOTE RECEIVABLE**

Note receivable consists of a \$5,607,000 note receivable from USBCDE Investment Fund VIII, LLC (the Investment Fund) with an origination date of July 11, 2007. During the year ended December 31, 2007, \$3,757,000 was loaned to the Fund. During the year ended December 31, 2008, an additional \$1,850,000 was loaned to the Fund. The note accrues interest at 1% with principal and interest payments beginning 2015. The outstanding principal and interest balance at December 31, 2010 and 2009 was \$5,793,864 and \$5,736,238, respectively.

**NOTE 8 — NOTE PAYABLE TO BANK**

The Organization maintains a \$800,000 line of credit bearing interest at LIBOR plus 2.25% at December 31, 2010 and 2009, of which \$505,000 and \$0- was outstanding at December 31, 2010 and 2009, respectively. The principal balance of the line of credit is due in October 2011. The line of credit is collateralized by substantially all assets of the BBBS.

One-month LIBOR was 0.26% and 0.24% at December 31, 2010 and 2009, respectively.

In May 2011, the Organization increased the line of credit to \$1,200,000 with a maturity date of July 2012.

**NOTE 9 — CAPITAL LEASE OBLIGATION**

The Organization leases computers under capital lease obligations. The economic substance of the leases is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Organization's assets and liabilities.

The asset and liability under the capital lease obligation were recorded as the lower of the present value of minimum lease payments or the fair value of the assets at inception of the leases. The assets are depreciated over the lesser of the related lease term or the estimated useful life. The leases include \$1 purchase options at the end of the lease period.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 9 — CAPITAL LEASE OBLIGATION (Continued)**

The following is an analysis of the leased asset included in property and equipment:

Computer Equipment	\$ 54,387
Less Accumulated Amortization	<u>20,035</u>
	<u>\$ 34,352</u>

Future minimum rental payments are as follows:

Year Ending December 31,	
2011	\$ 16,784
2012	15,585
2013	<u>2,586</u>
	34,955
Less Amount Representing Interest	<u>603</u>
Capital Lease Obligation	<u>\$ 34,352</u>

**NOTE 10 — LONG-TERM DEBT**

Long-term debt consists of the following:

	December 31,	
	<u>2010</u>	<u>2009</u>
\$2,500,000 note payable to bank, due June 2012, payable in minimum annual payments of not less than \$500,000, as well as monthly interest payments which are calculated at LIBOR plus 1.5%, secured by non-real estate assets	\$ 1,300,000	\$ 1,800,000
\$1,000,000 note payable to The Kranzberg Arts Foundation, \$801,000 principal payment plus accrued interest at 1.523% due August 2015, with the remaining principal and accrued interest balance due July 2036, secured by note receivable (Note 7)	<u>1,054,772</u>	<u>1,038,949</u>
	<u>\$ 2,354,772</u>	<u>\$ 2,838,949</u>

LIBOR was 0.79% and 1.08% at December 31, 2010 and 2009, respectively.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**NOTE 10 — LONG-TERM DEBT (Continued)**

Maturities of long-term debt are as follows:

Year Ending December 31,	
2011	\$ 500,000
2012	800,000
2013	-
2014	-
2015	801,000
Thereafter	<u>253,772</u>
	<u>\$ 2,354,772</u>

**NOTE 11 — TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following:

	December 31,	
	2010	2009
Program or Expenditure Restricted		
Matching and mentoring program	\$ 200,792	\$ 449,495
Big Brothers Big Sisters of America	80,400	10,000
United Way allocation	<u>30,000</u>	<u>22,500</u>
	<u>311,192</u>	<u>481,995</u>
Time Restricted		
United Way allocation	385,811	384,739
Corporate contributions	317,500	174,130
Government grants	267,800	-
Multi-year pledges (primarily multi-year rent - Note 1)	<u>487,446</u>	<u>567,945</u>
	<u>1,458,557</u>	<u>1,126,814</u>
	<u>\$ 1,769,749</u>	<u>\$ 1,608,809</u>

Net assets were released from restrictions as follows:

	Years Ended December 31,	
	2010	2009
Restricted for Programs or Expenditures	\$ 950,363	\$ 601,136
Time Restrictions	<u>590,391</u>	<u>492,887</u>
	<u>\$ 1,540,754</u>	<u>\$ 1,094,023</u>

As discussed in Note 3 (Contributions Receivable), BBBS has pledges outstanding related to the Capital Campaign for new facilities. The restrictions on the pledges were considered fulfilled when BBBS moved into its new facility in June 2008, thus no remaining amounts of the Capital Campaign are temporarily restricted as of December 31, 2010 and 2009.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2010 and 2009

**NOTE 12 — GRANTS**

The Organization recognized grant revenue from the following agencies:

	Years Ended December 31,	
	<u>2010</u>	<u>2009</u>
Federal (*)		
U.S. Department of Health and Human Services Passed through Administration on Children, Youth and Families - Mentoring Program	\$ 91,692	\$ 323,809
Passed through Missouri Department of Mental Health - After School Mentoring Program	31,815	32,136
Passed through Substance Abuse and Mental Health Administration - Strategic Prevention Framework State Incentive Grant	-	9,000
U.S. Department of Housing and Urban Development Community Development Administration - Community Development Block Grant (CDBG) Program - Urban Expansion Project	133,600	125,859
U.S. Department of Justice Big Brothers Big Sisters of America - Juvenile Justice and Delinquency Prevention Program	<u>152,200</u>	<u>23,370</u>
	<u>409,307</u>	<u>514,174</u>
State and Local		
Area Resources for Community Services	-	7,473
Missouri Department of Social Services	-	3,560
Missouri Department of Corrections	281,300	283,010
St. Louis Mental Health Board	153,804	92,716
Children's Trust Fund	22,980	11,983
Other Agencies	<u>3,994</u>	<u>5,351</u>
	<u>462,078</u>	<u>404,093</u>
	<u>\$ 871,385</u>	<u>\$ 918,267</u>

(\*) Federal expenditures for these programs were \$409,307 and \$508,398 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 13 — EMPLOYEE RETIREMENT PLAN**

The Organization established a 401(k) retirement plan effective as of January 1, 2000, covering all employees who have completed one year of service and have attained age eighteen. The Organization provides a matching contribution up to 3% of the employee's salary deferral. The total expense related to the plan was \$49,134 and \$37,807 for the years ended December 31, 2010 and 2009, respectively.

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 14 — LEASE COMMITMENTS**

In July 2007, the Organization entered into a multi-year lease at a very favorable lease rate for its new office space in the Woolworth building under an operating lease agreement. The lease is noncancelable and expires no later than August 2015.

At December 31, 2010, future minimum lease payments under this noncancelable operating lease are as follows:

<u>Year Ending</u> <u>December 31,</u>	
2011	\$ 45,204
2012	45,204
2013	45,204
2014	45,204
2015	<u>33,903</u>
	<u>\$ 214,719</u>

Rent expense under operating leases was \$75,013 and \$73,814 for the years ended December 31, 2010 and 2009, respectively. In-kind rent expense of \$103,852 is not included in the above rent for each of the years ended December 31, 2010 and 2009.

**NOTE 15 — RELATED PARTY TRANSACTIONS**

The Organization is a party to various activities with Big Brothers Big Sisters of America (National), other local agencies of National and board members. A summary of these transactions follows:

The Organization coordinates the Amachi initiative for the state of Missouri with other Big Brothers Big Sisters Missouri affiliates. The Organization incurs costs related to this initiative and charges fees to the other agencies in proportion to their share of the revenues. The Organization receives the funds from the state and distributes to the other agencies accordingly.

The Organization receives a significant amount of support from its Board of Directors (including their related organizations).

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 15 — RELATED PARTY TRANSACTIONS (Continued)**

Transactions with the related parties are as follows:

	For the Year Ended December 31,		As of December 31,	
	2010	2009	2010	2009
	Revenues (Expenses)	Revenues (Expenses)	Receivables (Payables)	Receivables (Payables)
Big Brothers Big Sisters of America				
Grants	\$ 81,900	\$ 32,119	\$ 80,400	\$ 10,000
Dues	(21,122)	(20,147)	-	-
Total	<u>\$ 60,778</u>	<u>\$ 11,972</u>	<u>\$ 80,400</u>	<u>\$ 10,000</u>
Big Brothers Big Sisters Affiliates				
Amachi initiative	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,360)</u>
Board of Directors				
Contributions	<u>\$ 484,945</u>	<u>\$ 220,641</u>	<u>\$ 344,398</u>	<u>\$ 206,652</u>

In conjunction with the completion of the Organization's new facilities, the organizations of certain board members were involved in the leasing and lending activities as described in Notes 10 and 14. Additionally, a board member's organization oversees and manages the Organization's investment fund as described in Notes 4 and 5 and the Organization's employee retirement plan as described in Note 13. It is noted that board members are not involved in the decision making process if the company they are associated with is doing business with Big Brothers Big Sisters of Eastern Missouri, Inc.

**NOTE 16 — SIGNIFICANT CONTRIBUTORS**

The Organization received 57% of its total revenue from two contribution sources totaling \$4,850,000 during the year ended December 31, 2009. Accounts receivable from these contributors was \$3,000,000 at December 31, 2009. There were no significant contributors for the year ended December 31, 2010.

**NOTE 17 — WOOLWORTH BUILDING PROJECT**

The Organization, McCormack Baron Salazar, Inc. and other parties closed on the Woolworth building project on July 12, 2007 and announced that construction would begin immediately. The project was made possible by a number of partners including US Bancorp Community Development Corporation, National Trust Community Investment Corporation, Grand Center, Inc. and several other private investors. The project also benefitted from both federal and state historic tax credits, state brownfield credits, and federal new market tax credits. In order to facilitate the transfer and holding of the funds for the construction of the building, Mentor Missouri, Inc. (Mentor Missouri) was formed in July 2007 (see Note 1).

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2010 and 2009**

**NOTE 17 — WOOLWORTH BUILDING PROJECT (Continued)**

Mentor Missouri acts as a financial conduit for BBBS to make investments which promote BBBS's efforts to foster youth mentoring in eastern Missouri, and which BBBS could not make on its own. Mentor Missouri will continue to promote BBBS's charitable activities by acting as a financial conduit and by other appropriate means. As its first significant activity, Mentor Missouri loaned funds to USBCDE Investment Fund VIII, LLC (the Investment Fund) (\$5,607,000) which is investing in the rehabilitation of the Woolworth building. Mentor Missouri received the funds it loaned to the Investment Fund from the following sources:

Loans	
BBBS (a)	\$ 2,500,000
The Kranzberg Arts Foundation (Kranzberg)	1,000,000
Grand Center, Inc. (b)	<u>1,850,000</u>
	5,350,000
Contributions - Grand Center, Inc.	<u>473,000</u>
	<u>\$ 5,823,000</u>
(a) eliminated in consolidation	
(b) debt was forgiven in July 2009	

The loan from Mentor Missouri was a prerequisite for BBBS and Kranzberg to lease space in the building. BBBS's leased space became its new headquarters in June 2008. Because this space is much larger than BBBS's former headquarters, it will allow BBBS to achieve its goal of increasing the number of children it serves from 2,000 to 10,000. Mentor Missouri's loan to the Investment Fund also promoted the charitable activities of Kranzberg and Grand Center by allowing Kranzberg to lease space in the building, which it will use as a theater to promote the arts in St. Louis, and by assisting in the revitalization of the arts and entertainment district located along North Grand Boulevard in St. Louis, which is Grand Center's primary purpose.

The loan of funds from Kranzberg and Grand Center to Mentor Missouri, and then from Mentor Missouri to the Investment Fund was a necessary part of the transaction as a whole, and promoted the charitable activities of BBBS by giving it the opportunity to lease new office space which it would not have otherwise been able to lease.

BBBS occupied the building beginning June 2008, along with Kranzberg, under a lease agreement with Grand & Olive, LLC (Master Landlord), for a period of seven years. The lease terms are considered below market and thus BBBS has recorded a multi-year in-kind promise-to-give in the year ended December 31, 2007 of \$650,061 which is amortized on an annual basis (Note 1).

The lease agreement includes both a "put" and "purchase" option that are expected to be exercised in 2014 and 2015, respectively. These options are expected to be exercised and will ultimately result in BBBS owning their pro rata share of the building for the initial investment of \$2,500,000 with no additional outlay at the end of the lease. BBBS and Kranzberg will assume the position of the Investment Fund including the debt to Mentor Missouri and notes receivable from Grand & Olive, LLC.

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY INFORMATION**

To the Board of Directors  
Big Brothers Big Sisters of Eastern Missouri, Inc.

Our report on our audits of the basic consolidated financial statements of Big Brothers Big Sisters of Eastern Missouri, Inc. and Subsidiary for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information on page 22 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

The budget information for the year ending December 31, 2011 on page 22 has not been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and we express no opinion on it.

*UHY* LLP

St. Louis, Missouri  
June 7, 2011

**BIG BROTHERS BIG SISTERS OF EASTERN MISSOURI, INC. AND SUBSIDIARY  
CONSOLIDATED OPERATING RESULTS COMPARISON (WITH 2011 BUDGET)**

	2011 Budget (Unaudited)*	Consolidated Statement of Activities Years Ended December 31,	
		2010	2009
<b>SUPPORT AND REVENUES</b>			
Contributions	\$ 2,054,000	\$ 1,711,041	\$ 6,385,722
United Way allocation	450,000	451,356	430,812
Grants	992,000	871,385	918,267
In-kind donations	-	336,494	252,635
Special events, net	344,000	368,784	363,197
Program service fees	1,000	597	1,406
Contract services - Amachi initiative	55,000	54,500	55,392
Net investment income	150,000	207,249	98,284
Loss on disposal of assets	-	-	(2,332)
	<u>4,046,000</u>	<u>4,001,406</u>	<u>8,503,383</u>
<b>EXPENSES</b>			
Amachi initiative	55,000	38,202	48,871
Background checks	14,000	11,438	14,243
Bad debts	-	9,075	-
Conferences and travel	58,500	60,771	56,210
Depreciation	-	72,265	56,104
Donated materials	-	152,849	61,961
Donated rent	-	103,852	103,852
Donated services	-	162,387	165,970
Employee benefits	400,630	350,976	294,983
Equipment repairs	-	29,883	10,455
Insurance	65,000	60,485	65,287
Interest	17,000	65,024	136,183
Mileage	28,000	22,440	25,829
Miscellaneous	13,000	43,409	28,058
Occupancy	245,000	75,013	73,814
Organization dues	45,000	40,975	32,654
Payroll taxes	197,370	171,178	153,000
Postage	15,000	12,667	14,140
Printing	79,000	55,969	52,953
Professional fees			
Accounting	57,000	36,455	44,712
Consulting	71,000	44,970	-
Lobbying	39,000	24,525	25,709
Staffing	21,000	13,351	44,907
Fund raising	-	-	3,750
Other	45,000	28,528	10,250
Salaries	2,580,000	2,301,491	2,045,237
Supplies	16,000	23,556	27,369
Telephone	38,000	33,427	27,252
Utilities	-	104,539	131,370
Volunteer activities	46,500	34,839	33,206
	<u>4,146,000</u>	<u>4,184,539</u>	<u>3,788,329</u>
<b>CHANGES IN NET ASSETS</b>	<u>\$ (100,000)</u>	<u>\$ (183,133)</u>	<u>\$ 4,715,054</u>

\* This budget reflects only Big Brothers Big Sisters of Eastern Missouri, Inc.

*See report of independent auditors on supplementary information.*