



BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY

Financial Statements

December 31, 2013 and 2012

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Table of Contents
December 31, 2013 and 2012

Independent Auditors' Report	1 and 2
Financial Statements	
Statements of Financial Position.....	3 and 4
Statements of Activities	5 and 6
Statements of Functional Expenses	7 and 8
Statements of Cash Flows.....	9
Notes to the Financial Statements.....	10 to 18



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of Gallatin County

We have audited the accompanying financial statements of Big Brothers Big Sisters of Gallatin County (a nonprofit organization) ("the Organization"), which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Big Brothers Big Sisters of Gallatin County as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Reid & Company, PLLC

Bozeman, Montana
March 24, 2014

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position
As of December 31,

	<u>2013</u>	<u>2012</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 208,784	\$ 218,032
Promises to give (net)	5,120	9,933
Prepaid expenses	8,254	11,309
	<u>222,158</u>	<u>239,274</u>
Property and Equipment		
Land	10,000	10,000
Equipment	141,871	141,871
Buildings and improvements	90,972	90,972
	<u>242,843</u>	<u>242,843</u>
Less: Accumulated depreciation	<u>(197,892)</u>	<u>(190,319)</u>
Property and equipment (net)	<u>44,951</u>	<u>52,524</u>
Other Assets		
Endowment investments	152,909	128,280
Certificates of deposit, noncurrent	61,042	11,042
	<u>213,951</u>	<u>139,322</u>
Total noncurrent assets	<u>213,951</u>	<u>139,322</u>
Total Assets	<u>\$ 481,060</u>	<u>\$ 431,120</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position (continued)
As of December 31,

	<u>2013</u>	<u>2012</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,820	\$ 2,776
Accrued payroll liabilities	16,613	12,104
Accrued vacation	<u>9,996</u>	<u>11,370</u>
Total current liabilities	<u>29,429</u>	<u>26,250</u>
Net Assets		
Unrestricted	298,722	273,590
Temporarily restricted	49,696	28,067
Permanently restricted	<u>103,213</u>	<u>103,213</u>
	<u>451,631</u>	<u>404,870</u>
Total Liabilities and Net Assets	<u>\$ 481,060</u>	<u>\$ 431,120</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 53,976	\$ -	\$ -	\$ 53,976
Contributions				
Local contributions	146,053	-	-	146,053
In-kind support	42,872	-	-	42,872
Net revenue from contributions	188,925	-	-	188,925
Special event revenue				
Special event revenue	183,705	-	-	183,705
Less: costs of direct benefits to donors	(66,553)	-	-	(66,553)
Net revenue from special events	117,152	-	-	117,152
Other income				
Investment income	1,402	24,629	-	26,031
Total revenue and support	361,455	24,629	-	386,084
Net Assets Released from Restriction	3,000	(3,000)	-	-
Expenses:				
Program	263,451	-	-	263,451
Fundraising	48,933	-	-	48,933
Administrative	26,939	-	-	26,939
Total operating expenses	339,323	-	-	339,323
Change in net assets	25,132	21,629	-	46,761
Net assets, beginning of year	273,590	28,067	103,213	404,870
Net assets, end of year	\$ 298,722	\$ 49,696	\$ 103,213	\$ 451,631

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 64,603	\$ -	\$ -	\$ 64,603
Contributions				
Local contributions	152,516	-	-	152,516
In-kind support	42,561	-	-	42,561
Net revenue from contributions	195,077	-	-	195,077
Special event revenue				
Special event revenue	171,053	3,000	-	174,053
Less: costs of direct benefits to donors	(66,602)	-	-	(66,602)
Net revenue from special events	104,451	3,000	-	107,451
Other income				
Investment income	1,351	14,144	-	15,495
Total other income	1,351	14,144	-	15,495
Total revenue and support	365,482	17,144	-	382,626
Net Assets Released from Restriction	23,500	(23,500)	-	-
Expenses:				
Program	264,242	-	-	264,242
Fundraising	51,607	-	-	51,607
Administrative	19,914	-	-	19,914
Total operating expenses	335,763	-	-	335,763
Change in net assets	53,219	(6,356)	-	46,863
Net assets, beginning of year	220,371	34,423	103,213	358,007
Net assets, end of year	\$ 273,590	\$ 28,067	\$ 103,213	\$ 404,870

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 11,775	\$ 11,776	\$ -	\$ 23,551
Bad debt	-	-	2,010	2,010
Bank charges	-	435	2,465	2,900
Criminal records check	1,074	-	-	1,074
Depreciation	6,058	379	1,136	7,573
Dues and subscriptions	8,548	534	1,603	10,685
Insurance	8,757	515	1,030	10,302
Match activities	8,989	-	-	8,989
Office supplies	4,949	309	846	6,104
Personnel	178,746	30,894	11,034	220,674
Postage	647	647	862	2,156
Professional fees	10,999	688	2,063	13,750
Rent	1,125	1,125	-	2,250
Repairs and maintenance	984	61	185	1,230
Software	6,699	419	1,256	8,374
Special events - other	20	81	-	101
Telephone and internet	4,435	277	831	5,543
Training and meetings	5,748	359	1,078	7,185
Travel	1,526	286	95	1,907
Utilities	2,372	148	445	2,965
	<u>\$ 263,451</u>	<u>\$ 48,933</u>	<u>\$ 26,939</u>	<u>\$ 339,323</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2012

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 8,348	\$ 8,347	\$ -	\$ 16,695
Bad debt	-	1,900	50	1,950
Bank charges	-	3,089	772	3,861
Criminal records check	1,447	-	-	1,447
Depreciation	6,830	402	803	8,035
Dues and subscriptions	8,213	456	456	9,125
Insurance	8,475	499	996	9,970
Match activities	6,067	-	-	6,067
Office supplies	6,242	367	734	7,343
Personnel	179,670	29,293	10,462	219,425
Postage	970	485	970	2,425
Professional fees	16,753	985	1,971	19,709
Rent	1,350	1,350	-	2,700
Repairs and maintenance	1,261	74	150	1,485
Software	3,516	3,151	652	7,319
Special events - other	884	-	-	884
Telephone and internet	3,801	224	447	4,472
Training and meetings	5,403	338	1,013	6,754
Travel	2,737	513	171	3,421
Utilities	2,275	134	267	2,676
	<u>\$ 264,242</u>	<u>\$ 51,607</u>	<u>\$ 19,914</u>	<u>\$ 335,763</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Cash Flows
For the Years Ended December 31,

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 46,761	\$ 46,863
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	7,573	8,035
Unrealized gain on investments	(12,090)	(11,940)
Reinvested interest and dividends, net of fees	(6,978)	(1,187)
Allowance for doubtful accounts	100	1,900
Decrease (increase) in operating assets		
Promises to give	4,713	2,647
Prepaid expenses	3,055	(191)
Increase (decrease) in operating liabilities		
Accounts payable	44	1,408
Accrued liabilities	3,135	9,335
Deferred revenue	-	(1,050)
Net cash provided by operating activities	<u>46,313</u>	<u>55,820</u>
Cash Flows from Investing Activities		
Purchases of equipment	-	(19,628)
Purchase of investments	(95,687)	(15,247)
Proceeds from investment sales	29,084	14,230
Net cash used by investing activities	<u>(66,603)</u>	<u>(20,645)</u>
Net Change in Cash	(20,290)	35,175
Cash at Beginning of Year	<u>218,032</u>	<u>193,899</u>
Cash at End of Year	<u>\$ 197,742</u>	<u>\$ 218,032</u>
Supplemental information of non-cash activities:		
In-kind support	<u>\$ 42,872</u>	<u>\$ 42,561</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Activities and Significant Accounting Policies

Nature of Activities

Big Brothers Big Sisters of Gallatin County (the “Organization”) is a charitable organization that provides needed support to children in the local community. The Organization has a satellite office in Ennis, Montana and a branch office in Big Sky, Montana. Big Brothers Big Sisters of Gallatin County is an agency of the national organization, Big Brothers Big Sisters of America, to which it pays franchise and management fees.

The Organization’s mission is to provide children facing adversity with strong and enduring, professionally supported 1-to-1 relationships that change their lives for the better, forever. The goal of Big Brothers Big Sisters of Gallatin County is that all children achieve success in life. The Organization matches youth in Gallatin and Madison County, aged 5 to 15 years, with carefully screened adult mentors. Each of these “match” relationships are supported by professional staff, who are experts at enrolling and supporting the volunteers, children, and families in the program. These “matches” establish trusting friendships which strengthen the many assets the children need to make positive choices and discourage problem behaviors. They spend time together outside of school, participating in activities they both enjoy. Revenues of the Organization are primarily earned from contributions, grants and special events.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as codified by the Financial Accounting Standards Board.

Classification of Net Assets

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes or programs.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Activities and Significant Accounting Policies (continued)

Classification of Net Assets (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions of net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

It is the policy of the Organization to report gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support.

Special Events

Special events income includes amounts received from participants in exchange transactions related to special events.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Policy

During 2012, the Organization changed its capitalization policy. In prior years, the Organization capitalized all assets with a value exceeding \$500 and during 2012 the Organization prospectively changed this policy to capitalize all assets with a value greater than \$1,000.

Subsequent Events

Management has evaluated subsequent events through March 24, 2014, the date which the financial statements were available for issue.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Activities and Significant Accounting Policies (continued)

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of six months or less to be cash equivalents, unless donor-imposed restrictions limit their use to long-term purposes. For the years ended December 31, 2013 and 2012, all cash held by the Organization was within the federally insured limits.

Investments

Certificates of deposit with an original maturity of less than one year are considered short-term or current investments. Certificates of deposits with an original maturity of one year or more are considered long-term or noncurrent.

Endowment Investments

The Organization maintains most of its investments in an endowment account managed by outside parties. Interest-bearing deposits, equity securities, and debt securities are carried at fair value with the annual change in fair value recorded as investment income in the statement of activities.

Promises to Give

Promises to give are recorded and revenue is recognized at the time unconditional promises to give are made. These balances are stated at face value. Promises to give are reviewed periodically and management estimates the collectability of those accounts and records an allowance for uncollectable accounts as necessary. Pledged payments from promises to give as of year-end are scheduled to be received the following year. For the years ended December 31, 2013 and 2012, the allowance for promises to give was \$2,000 and \$1,900, respectively.

In-Kind Support

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived 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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by corresponding amounts reflected in expenses.

Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Advertising

The Organization expenses all advertising costs as they occur.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Activities and Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

Endowment Funds Held by Others

The Montana Community Foundation has endowment funds held on behalf of Big Brothers Big Sisters of Gallatin County. The amounts of these endowment funds as of December 31, 2013 and 2012 were \$31,036 and \$27,925, respectively. These amounts do not qualify to be recognized on the Organization's statement of financial position, but may provide an income stream in perpetuity.

Fair Value

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. GAAP has established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1 – Quoted market prices available through public exchange venues for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as 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 for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability due to little or no market activity at the measurement date.

Mutual funds are valued at the fair value of shares held at year end.

Property and Equipment

Purchased property and equipment are carried at their historical cost. Donations of property and equipment are recorded at the assets' estimated fair value at the time of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. The costs of acquiring assets with values exceeding \$1,000 are capitalized. Normal repair and maintenance costs are expensed as incurred.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1. Activities and Significant Accounting Policies (continued)

Income Taxes

The activities of the Organization are generally exempt from Federal and State income taxes under Internal Revenue Code §501(c)(3) and the Organization has been ruled not to be a private foundation. The Organization's tax returns for the years prior to 2010 are no longer subject to examination.

2. Investments

Investments are carried at fair value and unrealized gains and losses are reflected in the statement of activities. The fair value of investment holdings as of December 31, 2013 and 2012 are as follows:

	Fair Value (Level 1)	
	<u>2013</u>	<u>2012</u>
Marketable debt and equity securities		
Mutual funds - fixed income:		
Large value fund	\$ 47,674	\$ 14,171
Small blend fund	22,059	22,542
Mid-cap growth fund	18,661	16,038
Inflation protected bond fund	15,011	15,207
Mid-cap blend fund	8,849	6,673
Intermediate-term bond fund	8,412	7,554
Foreign large blend fund	8,315	4,115
Mid-cap value fund	7,245	5,657
World allocation fund	5,888	5,039
High yield bond fund	4,963	9,339
Diversified emerging markets fund	2,964	2,320
Health care REIT fund	2,249	2,575
Large growth fund	-	13,227
Natural resources fund	-	2,094
Total mutual funds	<u>152,290</u>	<u>126,551</u>
Other investments:		
Bank Insured Deposit Program	<u>619</u>	<u>1,729</u>
Totals	<u>\$ 152,909</u>	<u>\$ 128,280</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

2. Investments (continued)

Components of investment income and loss for the years ended December 31, 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 3,796	\$ 3,003
Unrealized gain	12,090	11,940
Capital gain	3,457	836
Realized gains or losses	7,967	-
Distribution from MT Community endowment	-	997
Less: Investment expenses	<u>(1,279)</u>	<u>(1,281)</u>
Total investment income	<u>\$ 26,031</u>	<u>\$ 15,495</u>

3. Restricted Net Assets

Temporarily restricted net assets consist of net assets restricted by donors. Temporarily restricted net assets as of December 31, 2013 and 2012 are restricted as follows:

	<u>2013</u>	<u>2012</u>
Special event contributions	\$ -	\$ 3,000
Accumulated endowment income	<u>49,696</u>	<u>25,067</u>
Total temporarily restricted net assets	<u>\$ 49,696</u>	<u>\$ 28,067</u>

Permanently restricted net assets consist of an endowment for the benefit of the Organization's programs. Permanently restricted net assets as of December 31, 2013 and 2012 were \$103,213.

4. Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, 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 or absence of donor imposed restrictions.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. Endowment (continued)

Interpretation of Relevant Law

The Board of Directors of has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any 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. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization 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 Organization; and
- (7) The investment policies of the Organization.

Changes in net asset composition by type of fund for the year ended December 31, 2013 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 25,067	\$ 103,213	\$ 128,280
Investment return:			
Interest, dividends and capital gains, net of expenses	4,572	-	4,572
Realized gains	7,967	-	7,967
Net appreciation	12,090	-	12,090
Endowment net assets, end of year	<u>\$ 49,696</u>	<u>\$ 103,213</u>	<u>\$ 152,909</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

4. Endowment (continued)

Changes in net asset composition by type of fund for the year ended December 31, 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 10,923	\$ 103,213	\$ 114,136
Investment return:			
Interest and dividends, net of expenses	1,368	-	1,368
Realized gains	836	-	836
Net appreciation	11,940	-	11,940
Endowment net assets, end of year	<u>\$ 25,067</u>	<u>\$ 103,213</u>	<u>\$ 128,280</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2013 and 2012.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow endowment assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization 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 Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year to support operations, after consideration of the seven factors listed above, an amount no more than the accumulated investment interest and dividends not previously appropriated. For the years ended, December 31, 2013 and 2012, the Organization did not appropriate any funds.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

5. Retirement Plan

The Organization provides a SIMPLE IRA retirement plan to its employees. The Organization makes a matching contribution dollar for dollar up to 3% of each eligible employee's wages to the plan. To be eligible to participate in the plan, employees must receive at least \$1,000 in compensation during any two prior years and are reasonably expected to make at least \$500 in compensation during the current year.

The Organization's contributions to the retirement plans for the years ended December 31, 2013 and 2012 were \$3,942 and \$3,262, respectively.

6. In-Kind Support

During the years ended December 31, 2013 and 2012, the Organization recognized in-kind support as follows:

	<u>2013</u>	<u>2012</u>
Gala	\$ 3,440	\$ 2,093
Celebrity golf	644	180
Bowl for kids sake	1,615	6,661
Gift wrap	3,133	315
Other events	50	1,431
Match activities	4,766	4,060
Advertising	23,768	12,992
Equipment repairs and maintenance	110	529
Operations and supplies	137	7,900
Professional services	2,959	3,700
Storage	2,250	2,700
Total	<u>\$ 42,872</u>	<u>\$ 42,561</u>