

**BIG BROTHERS BIG SISTERS
OF THE GREATER TWIN CITIES**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
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LarsonAllen[®] LLP

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of the Greater Twin Cities
Saint Paul, Minnesota

We have audited the accompanying balance sheets of Big Brothers Big Sisters of the Greater Twin Cities as of December 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 audits provide 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 the Greater Twin Cities as of December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



LarsonAllen LLP

Minneapolis, Minnesota
April 22, 2008

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
DECEMBER 31, 2007 AND 2006**

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	\$ 401,102	\$ 161,085
Contracts Receivable	256,425	60,293
Pledges Receivable	564,201	430,304
Prepaid Expenses	30,808	154,158
Investments	174,782	808,522
Total Current Assets	1,427,318	1,614,362
OTHER ASSETS		
Property and Equipment, Net	80,315	122,785
Investments	2,153,736	1,973,322
Community Foundation Holdings	13,592	13,001
Pledges Receivable, Net	89,730	304,835
Total Other Assets	2,337,373	2,413,943
Total Assets	\$ 3,764,691	\$ 4,028,305
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 48,447	\$ 26,137
Accrued Expenses	221,722	174,470
Deferred Rent	14,778	27,557
Deferred Revenue	69,000	95,000
Current Portion of Capital Lease Obligation	5,567	7,279
Total Current Liabilities	359,514	330,443
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	-	5,567
Total Liabilities	359,514	336,010
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	100,000	185,908
Board Designated for Long-Term Reserves	1,312,307	1,445,457
Board Designated for Operating Reserve	1,163,985	1,101,750
Total Unrestricted	2,576,292	2,733,115
Temporarily Restricted Net Assets	725,626	857,212
Permanently Restricted Net Assets	103,259	101,968
Total Net Assets	3,405,177	3,692,295
Total Liabilities and Net Assets	\$ 3,764,691	\$ 4,028,305

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 1,125,676	\$ 493,632	\$ 700	\$ 1,620,008
Contributions In-kind	189,025	-	-	189,025
United Way - Allocation Support	798,640	-	-	798,640
United Way - Designated Gifts	185,392	-	-	185,392
Total Support	<u>2,298,733</u>	<u>493,632</u>	<u>700</u>	<u>2,793,065</u>
Special Events:				
Special Event Revenue	943,067	-	-	943,067
Special Events Expenses	(288,871)	-	-	(288,871)
Total Special Events Revenue	<u>654,196</u>	<u>-</u>	<u>-</u>	<u>654,196</u>
Revenue:				
Program Service Fees	759,204	-	-	759,204
Interest and Dividend Income	115,477	-	-	115,477
Miscellaneous	6,149	-	-	6,149
Total Revenue	<u>880,830</u>	<u>-</u>	<u>-</u>	<u>880,830</u>
Total Support and Revenue	3,833,759	493,632	700	4,328,091
Net Assets Released from Restrictions	<u>625,218</u>	<u>(625,218)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	4,458,977	(131,586)	700	4,328,091
EXPENSES				
Program Services	3,283,882	-	-	3,283,882
Support Services:				
Management and General	589,665	-	-	589,665
Fundraising	420,311	-	-	420,311
Volunteer Recruitment	419,009	-	-	419,009
Total Expenses	<u>4,712,867</u>	<u>-</u>	<u>-</u>	<u>4,712,867</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(253,890)	(131,586)	700	(384,776)
NONOPERATING CHANGE IN NET ASSETS				
Unrealized Investment Gains	9,736	-	-	9,736
Realized Investment Gains	87,331	-	-	87,331
Change in Community Foundation Holdings	-	-	591	591
Total Nonoperating Change in Net Assets	<u>97,067</u>	<u>-</u>	<u>591</u>	<u>97,658</u>
CHANGE IN NET ASSETS	(156,823)	(131,586)	1,291	(287,118)
Net Assets - Beginning	<u>2,733,115</u>	<u>857,212</u>	<u>101,968</u>	<u>3,692,295</u>
NET ASSETS - ENDING	<u>\$ 2,576,292</u>	<u>\$ 725,626</u>	<u>\$ 103,259</u>	<u>\$ 3,405,177</u>

See accompanying Notes to Financial Statements.

2006

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,241,853	\$ 422,869	\$ 1,500	\$ 1,666,222
103,658	-	-	103,658
799,117	-	-	799,117
149,006	-	-	149,006
<u>2,293,634</u>	<u>422,869</u>	<u>1,500</u>	<u>2,718,003</u>
807,913	-	-	807,913
(308,172)	-	-	(308,172)
<u>499,741</u>	<u>-</u>	<u>-</u>	<u>499,741</u>
482,806	-	-	482,806
93,191	-	-	93,191
14,516	-	-	14,516
<u>590,513</u>	<u>-</u>	<u>-</u>	<u>590,513</u>
3,383,888	422,869	1,500	3,808,257
<u>677,946</u>	<u>(677,946)</u>	<u>-</u>	<u>-</u>
4,061,834	(255,077)	1,500	3,808,257
2,971,356	-	-	2,971,356
498,093	-	-	498,093
460,557	-	-	460,557
252,205	-	-	252,205
<u>4,182,211</u>	<u>-</u>	<u>-</u>	<u>4,182,211</u>
(120,377)	(255,077)	1,500	(373,954)
100,782	-	-	100,782
37,687	-	-	37,687
-	-	1,040	1,040
<u>138,469</u>	<u>-</u>	<u>1,040</u>	<u>139,509</u>
18,092	(255,077)	2,540	(234,445)
<u>2,715,023</u>	<u>1,112,289</u>	<u>99,428</u>	<u>3,926,740</u>
<u>\$ 2,733,115</u>	<u>\$ 857,212</u>	<u>\$ 101,968</u>	<u>\$ 3,692,295</u>

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007**

	2007					
	Program Services	Support Services			Total	
		Management and General	Fund Raising	Volunteer Recruitment		Total Support Services
Salaries	\$ 1,864,281	\$ 261,334	\$ 268,000	\$ 199,399	\$ 728,733	\$ 2,593,014
Employee Benefits	374,440	38,137	37,100	35,809	111,046	485,486
Payroll Taxes	136,269	17,511	18,802	14,929	51,242	187,511
Total Payroll Expense	<u>2,374,990</u>	<u>316,982</u>	<u>323,902</u>	<u>250,137</u>	<u>891,021</u>	<u>3,266,011</u>
Professional Fees	132,725	103,858	24,506	8,333	136,697	269,422
Background Investigations	26,333	4,749	-	180	4,929	31,262
Supplies	180,714	6,893	3,142	47,688	57,723	238,437
Telephone and Internet	28,440	2,651	1,903	3,571	8,125	36,565
Postage and Shipping	12,201	1,553	6,113	429	8,095	20,296
Occupancy	228,914	33,153	21,899	25,680	80,732	309,646
Advertising and Marketing	5,858	20	2,100	23,353	25,473	31,331
Equipment and Maintenance	26,505	15,671	1,464	1,170	18,305	44,810
Printing and Publications	26,617	475	7,971	28,995	37,441	64,058
Travel and Transportation	44,881	8,864	1,719	6,598	17,181	62,062
Training and Conventions	26,316	11,005	6,182	5,426	22,613	48,929
Dues and Subscriptions	324	9,587	1,296	510	11,393	11,717
Chris D'Amico Scholarship	1,000	-	-	-	-	1,000
Insurance	81,705	18,882	6,266	7,376	32,524	114,229
Miscellaneous	117	43,077	3,046	-	46,123	46,240
National BBBS Dues	17,692	2,273	1,749	1,784	5,806	23,498
Total Expense Before Depreciation	<u>3,215,332</u>	<u>579,693</u>	<u>413,258</u>	<u>411,230</u>	<u>1,404,181</u>	<u>4,619,513</u>
Depreciation Expense	68,550	9,972	7,053	7,779	24,804	93,354
Total Expenses	<u>\$ 3,283,882</u>	<u>\$ 589,665</u>	<u>\$ 420,311</u>	<u>\$ 419,009</u>	<u>\$ 1,428,985</u>	<u>\$ 4,712,867</u>
Percent of Total Expenses	<u>69.7%</u>	<u>12.5%</u>	<u>8.9%</u>	<u>8.9%</u>	<u>30.3%</u>	<u>100.0%</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006**

	2006					Total
	Program Services	Management and General	Fund Raising	Volunteer Recruitment	Total Support Services	
Salaries	\$ 1,726,837	\$ 234,135	\$ 250,663	\$ 151,566	\$ 636,364	\$ 2,363,201
Employee Benefits	311,770	42,521	45,234	27,351	115,106	426,876
Payroll Taxes	125,057	16,956	18,153	10,976	46,085	171,142
Total Payroll Expense	2,163,664	293,612	314,050	189,893	797,555	2,961,219
Professional Fees	89,010	67,891	40,244	5,141	113,276	202,286
Background Investigations	24,040	5,829	-	55	5,884	29,924
Supplies	156,574	6,585	19,837	3,126	29,548	186,122
Telephone and Internet	35,117	3,574	3,315	3,005	9,894	45,011
Postage and Shipping	11,379	2,137	2,948	272	5,357	16,736
Occupancy	226,252	27,098	33,830	21,119	82,047	308,299
Advertising and Marketing	8,576	1,976	3,168	8,187	13,331	21,907
Equipment and Maintenance	20,623	7,725	9,584	1,118	18,427	39,050
Printing and Publications	13,617	352	7,221	1,000	8,573	22,190
Travel and Transportation	42,358	8,275	1,876	4,162	14,313	56,671
Training and Conventions	10,459	9,248	1,786	196	11,230	21,689
Dues and Subscriptions	1,435	7,602	285	119	8,006	9,441
Chris D'Amico Scholarship	2,000	-	-	-	-	2,000
Insurance	76,584	15,985	8,171	5,904	30,060	106,644
Miscellaneous	55	25,642	1,563	110	27,315	27,370
National BBBS Dues	15,153	2,461	1,979	1,460	5,900	21,053
Total Expense Before Depreciation	2,896,896	485,992	449,857	244,867	1,180,716	4,077,612
Depreciation Expense	74,460	12,101	10,700	7,338	30,139	104,599
Total Expenses	\$ 2,971,356	\$ 498,093	\$ 460,557	\$ 252,205	\$ 1,210,855	\$ 4,182,211
Percent of Total Expenses	71.0%	11.9%	11.0%	6.0%	29.0%	100.0%

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (287,118)	\$ (234,445)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	93,354	104,599
Donated Fixed Assets	(44,264)	-
Realized Gain on Sale of Investments	(87,331)	(37,687)
Unrealized Gain on Investments	(9,736)	(100,782)
Permanently Restricted Contributions	(700)	(1,500)
(Increase) Decrease in Current Assets:		
Contracts Receivables	(196,132)	(43,626)
Pledges Receivable	81,208	317,565
Prepaid Expenses	123,350	36,559
Community Foundation Holdings	(591)	(1,040)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	22,310	2,450
Accrued Expenses	47,252	27,607
Deferred Revenue	(26,000)	55,000
Deferred Rent	(12,779)	(9,134)
Net Cash Provided (Used) by Operating Activities	(297,177)	115,566
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(6,620)	(24,118)
Proceeds Received from Sale of Marketable Securities	950,118	568,931
Purchase of Marketable Securities	(399,725)	(578,808)
Net Cash Provided (Used) by Investing Activities	543,773	(33,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(7,279)	(6,148)
Permanently Restricted Contributions Received	700	1,500
Net Cash Used by Financing Activities	(6,579)	(4,648)
NET INCREASE IN CASH	240,017	76,923
Cash - Beginning of Year	161,085	84,162
CASH - END OF YEAR	\$ 401,102	\$ 161,085

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of the Greater Twin Cities was incorporated in 2002 under the laws of the State of Minnesota as a nonprofit organization by consolidating Big Brothers Big Sisters of Greater Minneapolis and Big Brothers Big Sisters of Greater St. Paul, Inc. The Organization's mission is to enrich young people's lives through one to one friendships. The Organization strives to be the leading, most effective youth mentoring Organization and to do their best to ensure that every child who wants a mentor has one.

The primary focus of the Organization is the creation of long-term friendships for children with committed responsible adult volunteers to promote healthy child development. As a mentoring Organization, the Organization is devoted to developing the resources, environment and mechanisms to provide a caring adult in the life of every child in need.

The Organization provides quality volunteer recruitment, screening, training, matching, supervision and support, while striving to:

- ◆ Ensure child safety through effective screening, monitoring, training and policies and procedures,
- ◆ Be responsive to individual volunteers' skills and interest,
- ◆ Focus on match retention and match length as creatively as recruitment strategies,
- ◆ Have fun as an agency of children, volunteers, staff and board, and
- ◆ Adhere to all Big Brothers Big Sisters of America policies and procedures.

Screening: The Organization provides an extensive and volunteer-friendly screening process, including an interview with a professional staff member, criminal background checks and reference reviews.

Training: The Organization requires all mentors to attend training prior to being matched with a child. They also offer ongoing sessions dealing with current topics of concern, real life scenarios and diversity issues.

Supervision and Support: Agency support for matches (Big Brothers/Sisters matched with Little Brothers/Sisters) comes in a variety of ways. Professional staff members have monthly contact with volunteers, the children and the parent(s) for the first year. After the first year, contact is quarterly. In addition, an array of match activities is offered regularly at little or no cost to the volunteer.

Financial Statement Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of Big Brothers Big Sisters of the Greater Twin Cities and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Board Designated – The board of directors has restricted a portion of net assets for both long-term reserve plans and an operating reserve. The designated amount for the long-term reserve is reviewed by the board each year to determine the appropriate balance given market conditions and operating requirements. The designated amount for the operating reserve is calculated as 3 months of the next fiscal years budget (less in-kind items).

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of Big Brother Big Sisters of the Greater Twin Cities and/or the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that are to be maintained permanently by Big Brothers Big Sisters of the Greater Twin Cities. Income and realized and unrealized gains are expendable to support the activities of Big Brothers Big Sisters of the Greater Twin Cities.

Non-operating activities represent realized and unrealized investment income and the change in Community Foundation Holdings.

Restricted Contributions

Big Brothers Big Sisters of the Greater Twin Cities reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Temporarily restricted contributions whose restrictions are met in the same period are recorded as unrestricted contributions. Contributions for long-term assets are released over the useful life of the asset.

Cash

The majority of Big Brothers Big Sisters of the Greater Twin Cities cash is maintained at one financial institution located in Minnesota. At times the accounts at this institution exceed the Federal Deposit Insurance limit of \$100,000.

Accounts Receivable

The Organization provides an allowance for bad debts using the allowance method which is based on management judgment considering historical information. Services are sold on an unsecured basis. Payment is required 30 days after receipt of the invoice. Accounts past due more than 90 days are individually analyzed for collectibility. Accounts for which no payments have been received for 12 months are written off. In addition, an allowance is provided for other accounts when a significant pattern of uncollectibility has occurred. When all collection efforts have been exhausted, the accounts are written off against the related allowance.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Pledges and grants that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. Management established an allowance for uncollectible pledges receivable as of December 31, 2007 and 2006 of \$41,027 and \$34,064, respectively. Long-term pledge receivables are recorded net of discounts of \$6,093 and \$21,226 as of December 31, 2007 and 2006, respectively. Conditional pledges and grants are not included as support until such time as the conditions are substantially met.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation. Those investments for which fair value is not readily determinable are carried at cost, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of securities on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. In addition, the Organization's investments include limited partnerships that are diversified funds of hedge funds, which are recorded at the fair value of the underlying assets in the limited partnerships. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements.

Property and Equipment

Leasehold improvement, equipment and furniture and fixtures are stated at cost at the date of acquisition or fair market value at date of donation in the case of donated property. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted. Property and equipment is depreciated over the lives of the assets using the straight-line method.

Deferred Revenue

Special event revenue for events to be held in future periods are recorded as deferred revenue when received and reflected as support in the year when the special event takes place. Program service fees which are paid in advance of when services are provided are also recorded as deferred revenue.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising and Marketing

Advertising and marketing costs are expensed when the advertising or marketing occurs.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Tax Status

Big Brothers Big Sisters of the Greater Twin Cities is a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota statutes. Big Brothers Big Sisters of the Greater Twin Cities is not considered a private foundation and contributions to Big Brothers Big Sisters of the Greater Twin Cities are considered tax deductible.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Program service fees are recognized when the services are provided.

Donated Services and Assets

Contributions of services are recognized if the services received (a) create or enhance nonfinancial 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.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 2 PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Unconditional promises to give at December 31 are expected to be realized in the following periods:

<u>Year Ending December 31,</u>	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 430,304
2008	564,201	251,325
2009	118,635	89,960
2010	11,515	11,640
2011	3,150	7,200
Thereafter	3,550	-
Total Pledges Receivable	<u>701,051</u>	<u>790,429</u>
Less: Net Present Value Discount	(6,093)	(21,226)
Less: Current Pledges Receivable	<u>(564,201)</u>	<u>(430,304)</u>
	130,757	338,899
Less: Allowance for Uncollectible Pledges	<u>(41,027)</u>	<u>(34,064)</u>
Net Long-Term Pledges Receivable	<u>\$ 89,730</u>	<u>\$ 304,835</u>

The pledges are discounted at an interest rate of 5 percent for all pledges made in 2004 and prior years, 4 percent for pledges made in 2005, and 4.5 percent for pledges made in 2006.

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	<u>2007</u>	<u>2006</u>
Investments:		
Cash Held for Investment Purposes	<u>\$ 174,782</u>	<u>\$ 808,522</u>
Stock Mutual Funds	\$ 1,229,073	\$ 1,207,046
Bond Mutual Funds	440,878	404,208
Real Estate Funds	79,237	-
Hedge Fund of Funds	404,548	362,068
Total Other Investments	<u>\$ 2,153,736</u>	<u>\$ 1,973,322</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2007	2006
Leasehold Improvements	\$ 46,186	\$ 46,186
Equipment	271,346	227,082
Furniture and Fixtures	278,247	271,626
Total Property and Equipment	595,779	544,894
Less: Accumulated Depreciation	(515,464)	(422,109)
Property and Equipment - Net	\$ 80,315	\$ 122,785

NOTE 5 LINE OF CREDIT

In September 2007, the Organization entered into a line of credit agreement with a financial institution. The line of credit is in the amount of \$200,000, expires September 25, 2008 and requires interest at prime rate plus 1 percent (8.25 percent at December 31, 2007). At December 31, 2007 and 2006, there was no outstanding balance on the line of credit.

NOTE 6 OPERATING LEASES

The Organization leases their office space under an operating lease which requires a monthly base rent, plus real estate taxes and operating expenses. The original lease expires in November 2008, with a one time renewal option. This option was exercised in October 2007, and extended the lease maturity to November 2016. The effective date of this renewal will be December 1, 2008. The monthly base rent under the lease ranges from approximately \$14,300 to \$18,230.

For the years ended December 31, rent expense was as follows:

	2007	2006
Base Rent Paid on a Straight Line Basis	\$ 155,229	\$ 155,229
Real Estate Taxes and Operating Expenses	150,779	144,302
Other Equipment and Lease Expense	3,638	8,768
Total	\$ 309,646	\$ 308,299

Annual base rent, estimated operating commitments, and office equipment leases at December 31, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 296,363
2009	306,693
2010	310,338
2011	313,984
2012	317,630
Thereafter	1,300,293
Total	\$ 2,845,301

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 6 OPERATING LEASES (CONTINUED)

The Landlord requires the Organization, as a security deposit, to provide an irrevocable letter of credit. The full amount of the letter of credit is \$100,000 at December 31, 2007. The letter of credit is backed by a promissory note with a bank in the amount of \$100,000, and the agreement allows the Organization to reduce to \$25,000 which is expected to be completed in 2008.

NOTE 7 CAPITAL LEASES

The Organization has two capital lease agreements for use of three copiers. The required monthly payments range from \$242 to \$498 for the copiers. The value of assets recorded under capital leases is \$30,000 and accumulated amortization totaled \$25,834 and \$19,834 at December 31, 2007 and 2006, respectively. Amortization expense is recorded as depreciation. The future payments on the leases as of December 31, 2007 are as follows:

<u>Year</u>	<u>Amount</u>
2008	\$ 5,920
Less: Amounts Representing Interest	<u>(353)</u>
	5,567
Less: Current Portion of Capital Lease Obligation	<u>(5,567)</u>
Total Long-Term Portion of Capital Lease Obligation	<u>\$ -</u>

Interest expense for the years ended December 31, 2007 and 2006 was \$1,601 and \$2,710, respectively.

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at December 31:

	<u>2007</u>	<u>2006</u>
Net Book Value Consolidation Property and Equipment	\$ 6,415	\$ 45,825
Time Restricted	719,211	811,387
Total Temporarily Restricted Net Assets	<u>\$ 725,626</u>	<u>\$ 857,212</u>

Net assets released from restrictions were released for the following uses during the years ended December 31:

	<u>2007</u>	<u>2006</u>
Consolidation Property and Equipment	\$ 39,410	\$ 57,833
Time Restricted	585,808	620,113
Total Released from Restrictions	<u>\$ 625,218</u>	<u>\$ 677,946</u>

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 8 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes at December 31:

	<u>2007</u>	<u>2006</u>
Scholarships	\$ 21,740	\$ 21,740
Memorial Funds	24,327	23,627
Camp Program Funds	40,000	40,000
Community Foundation Holdings	13,592	13,001
Other	3,600	3,600
Total Permanently Restricted Net Assets	<u>\$ 103,259</u>	<u>\$ 101,968</u>

NOTE 9 PENSION PLAN

Big Brothers Big Sisters of the Greater Twin Cities has a 403(b) retirement savings plan covering all eligible employees. The Organization makes discretionary contributions to the plan. Pension expense was \$150,493 and \$125,976 for the years ended December 31, 2007 and 2006, respectively.

NOTE 10 CONCENTRATIONS

Big Brothers Big Sisters of the Greater Twin Cities receives a substantial portion of its operating support from the United Way. During the years ended December 31, the Organization received the following:

	<u>2007</u>	<u>2006</u>
United Way - Allocation Support	\$ 798,640	\$ 799,117
United Way - Designated Support	185,392	149,006
Total	<u>\$ 984,032</u>	<u>\$ 948,123</u>

The Organization also received another contribution from one organization that accounted for 22 percent and 18 percent of support revenue for the years ended December 31, 2007 and 2006, respectively.

The Organization's pledges receivable are from a limited number of individuals and foundations. As of December 31, 2007 and 2006, 32 percent and 12 percent of the outstanding pledges were due from one and two individual(s), respectively.

The Organization's program service fees and contract receivables are from a limited number of governmental agencies.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006

NOTE 11 IN-KIND DONATIONS AND SERVICES

Big Brothers Big Sisters of the Greater Twin Cities records various types of in-kind support, including certain professional services, materials, and equipment. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or increase in property and equipment.

Big Brothers Big Sisters of the Greater Twin Cities has recognized contributions for the following, with like amounts included in expenses or property and equipment, for the years ended December 31:

	2007	2006
In-Kind Donations and Services:		
Event Tickets	\$ 72,601	\$ 68,528
Advertising	42,578	13,500
Office Supplies	1,278	-
Computer Equipment	44,264	-
Gift Certificates	-	420
Professional Fees	-	1,500
Prizes	179	1,308
Books	14,800	-
Investment Analysis	12,500	11,557
Back-up Tapes	-	4,000
Food Baskets	-	1,451
Tent Rental	-	350
Picnic Supplies	-	440
Other	825	604
Total In-Kind Donations and Services	\$ 189,025	\$ 103,658
In-Kind Expense Allocation:		
Program Services	\$ 92,699	\$ 71,380
Management and General	56,215	11,827
Fundraising	1,877	20,451
Marketing and Volunteer Recruiting	596	-
Total In-Kind Expense Allocation	151,388	103,658
In-Kind Property and Equipment:		
Donated Fixed Assets	44,264	-
Less: Accumulated Depreciation	6,627	-
Net Book Value of Donated Assets	37,637	-
Total In-Kind Expense and Property and Equipment Allocation	\$ 189,025	\$ 103,658

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

NOTE 12 VOLUNTEER SERVICES

Big Brothers Big Sisters of the Greater Twin Cities receives a significant amount of services from many unpaid volunteers who support the Organization's primary programmatic activities and supporting services. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort has not been satisfied. However, volunteers have been integral in providing a caring adult in the life of every child in need.

NOTE 13 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America were \$23,497 and \$21,053 during the years ended December 31, 2007 and 2006, respectively. The Organization also received funding of \$63,000 and \$42,083 from Big Brothers Big Sisters of America for the years ended December 31, 2007 and 2006, respectively.