

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2006 AND 2005

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8

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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, 2006 and 2005, 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, 2006 and 2005, 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.

Larson, Allen, Weishair & Co., LLP

LARSON, ALLEN, WEISHAIR & CO., LLP

Minneapolis, Minnesota
April 04, 2007

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
DECEMBER 31, 2006 AND 2005**

	2006	2005
ASSETS		
CURRENT ASSETS		
Cash	\$ 161,085	\$ 84,162
Contracts Receivable	60,293	16,667
Pledges Receivable	430,304	655,813
Prepaid Expenses	154,158	190,717
Investments	808,522	565,234
Total Current Assets	1,614,362	1,512,593
OTHER ASSETS		
Property and Equipment, Net	122,785	203,266
Investments	1,973,322	2,068,264
Community Foundation Holdings	13,001	11,961
Pledges Receivable, Net	304,835	396,891
Total Other Assets	2,413,943	2,680,382
Total Assets	\$ 4,028,305	\$ 4,192,975
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 26,137	\$ 23,687
Accrued Expenses	174,470	146,863
Deferred Rent	27,557	36,691
Deferred Revenue	95,000	40,000
Current Portion of Capital Lease Obligation	7,279	6,148
Total Current Liabilities	330,443	253,389
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	5,567	12,846
Total Liabilities	336,010	266,235
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	185,908	278,338
Board Designated for Long-Term Investments	1,445,457	1,385,600
Board Designated for Operating Reserve	1,101,750	1,051,085
Total Unrestricted	2,733,115	2,715,023
Temporarily Restricted Net Assets	857,212	1,112,289
Permanently Restricted Net Assets	101,968	99,428
Total Net Assets	3,692,295	3,926,740
Total Liabilities and Net Assets	\$ 4,028,305	\$ 4,192,975

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Support:				
Contributions	\$ 1,241,853	\$ 422,869	\$ 1,500	\$ 1,666,222
Contributions In-kind	103,658	-	-	103,658
United Way - Allocation Support	799,117	-	-	799,117
United Way - Designated Gifts	149,006	-	-	149,006
Total Support	<u>2,293,634</u>	<u>422,869</u>	<u>1,500</u>	<u>2,718,003</u>
Special Events:				
Special Event Revenue	807,913	-	-	807,913
Special Events Expenses	(308,172)	-	-	(308,172)
Total Special Events Revenue	<u>499,741</u>	<u>-</u>	<u>-</u>	<u>499,741</u>
Revenue:				
Program Service Fees	482,806	-	-	482,806
Interest and Dividend Income	93,191	-	-	93,191
Miscellaneous	14,516	-	-	14,516
Total Revenue	<u>590,513</u>	<u>-</u>	<u>-</u>	<u>590,513</u>
Total Support and Revenue	3,383,888	422,869	1,500	3,808,257
Net Assets Released from Restrictions	<u>677,946</u>	<u>(677,946)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	4,061,834	(255,077)	1,500	3,808,257
EXPENSES				
Program Services	2,971,356	-	-	2,971,356
Support Services:				
Management and General	498,093	-	-	498,093
Fundraising	460,557	-	-	460,557
Volunteer Recruitment	252,205	-	-	252,205
Total Expenses	<u>4,182,211</u>	<u>-</u>	<u>-</u>	<u>4,182,211</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(120,377)	(255,077)	1,500	(373,954)
NONOPERATING CHANGE IN NET ASSETS				
Unrealized Investment Gains	100,782	-	-	100,782
Realized Investment Gains	37,687	-	-	37,687
Change in Community Foundation Holdings	-	-	1,040	1,040
Total Nonoperating Change in Net Assets	<u>138,469</u>	<u>-</u>	<u>1,040</u>	<u>139,509</u>
CHANGE IN NET ASSETS	18,092	(255,077)	2,540	(234,445)
Net Assets - Beginning	<u>2,715,023</u>	<u>1,112,289</u>	<u>99,428</u>	<u>3,926,740</u>
NET ASSETS - ENDING	<u>\$ 2,733,115</u>	<u>\$ 857,212</u>	<u>\$ 101,968</u>	<u>\$ 3,692,295</u>

See accompanying Notes to Financial Statements.

2005

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 972,930	\$ 294,570	\$ 300	\$ 1,267,800
105,327	-	-	105,327
798,590	-	-	798,590
129,591	-	-	129,591
<u>2,006,438</u>	<u>294,570</u>	<u>300</u>	<u>2,301,308</u>
1,023,671	-	-	1,023,671
(273,681)	-	-	(273,681)
<u>749,990</u>	<u>-</u>	<u>-</u>	<u>749,990</u>
425,165	-	-	425,165
97,456	-	-	97,456
13,080	-	-	13,080
<u>535,701</u>	<u>-</u>	<u>-</u>	<u>535,701</u>
3,292,129	294,570	300	3,586,999
605,206	(605,206)	-	-
3,897,335	(310,636)	300	3,586,999
2,823,252	-	-	2,823,252
484,330	-	-	484,330
429,214	-	-	429,214
168,669	-	-	168,669
<u>3,905,465</u>	<u>-</u>	<u>-</u>	<u>3,905,465</u>
(8,130)	(310,636)	300	(318,466)
68,615	-	-	68,615
7,604	-	-	7,604
-	-	96	96
<u>76,219</u>	<u>-</u>	<u>96</u>	<u>76,315</u>
68,089	(310,636)	396	(242,151)
2,646,934	1,422,925	99,032	4,168,891
<u>\$ 2,715,023</u>	<u>\$ 1,112,289</u>	<u>\$ 99,428</u>	<u>\$ 3,926,740</u>

**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	<u>2,163,664</u>	<u>293,612</u>	<u>314,050</u>	<u>189,893</u>	<u>797,555</u>	<u>2,961,219</u>
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	<u>2,896,896</u>	<u>485,992</u>	<u>449,857</u>	<u>244,867</u>	<u>1,180,716</u>	<u>4,077,612</u>
Depreciation Expense	74,460	12,101	10,700	7,338	30,139	104,599
Total Expenses	<u>\$ 2,971,356</u>	<u>\$ 498,093</u>	<u>\$ 460,557</u>	<u>\$ 252,205</u>	<u>\$ 1,210,855</u>	<u>\$ 4,182,211</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005**

	2005					
	Program Services	Support Services				Total
		Management and General	Fund Raising	Volunteer Recruitment	Total Support Services	
Salaries	\$ 1,693,446	\$ 217,880	\$ 238,672	\$ 89,741	\$ 546,293	\$ 2,239,739
Employee Benefits	262,896	33,762	36,984	13,906	84,652	347,548
Payroll Taxes	124,134	15,993	17,519	6,587	40,099	164,233
Total Payroll Expense	2,080,476	267,635	293,175	110,234	671,044	2,751,520
Professional Fees	73,598	76,001	17,202	10,452	103,655	177,253
Background Investigations	17,155	5,347	-	-	5,347	22,502
Supplies	126,999	8,590	3,394	1,785	13,769	140,768
Telephone and Internet	31,243	3,319	3,947	1,952	9,218	40,461
Postage and Shipping	10,216	3,685	4,987	1,440	10,112	20,328
Occupancy	219,785	31,390	40,086	16,759	88,235	308,020
Advertising and Marketing	23,682	1,631	19,089	5,862	26,582	50,264
Equipment and Maintenance	19,900	4,863	2,904	1,879	9,646	29,546
Printing and Publications	15,496	-	19,877	3,294	23,171	38,667
Travel and Transportation	37,742	8,541	1,980	3,842	14,363	52,105
Training and Conventions	13,874	25,074	1,020	41	26,135	40,009
Dues and Subscriptions	2,153	9,588	1,240	284	11,112	13,265
Chris D'Amico Scholarship	-	-	-	-	-	-
Insurance	64,597	16,018	8,634	4,423	29,075	93,672
Miscellaneous	6,802	1,152	1,036	405	2,593	9,395
National BBBS Dues	10,280	10,280	-	-	10,280	20,560
Total Expense Before Depreciation	2,753,998	473,114	418,571	162,652	1,054,337	3,808,335
Depreciation Expense	69,254	11,216	10,643	6,017	27,876	97,130
Total Expenses	\$ 2,823,252	\$ 484,330	\$ 429,214	\$ 168,669	\$ 1,082,213	\$ 3,905,465

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005**

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets from Operations	\$ (373,954)	\$ (318,466)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	104,599	97,130
Permanently Restricted Contributions	(1,500)	(300)
(Increase) Decrease in Current Assets:		
Contracts Receivables	(43,626)	-
Pledges Receivable	317,565	189,935
Prepaid Expenses	36,559	(22,344)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	2,450	4,693
Accrued Expenses	27,607	(26,238)
Deferred Revenue	55,000	11,750
Deferred Rent	(9,134)	(5,487)
Net Cash Provided (Used) by Operating Activities	115,566	(69,327)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(24,118)	(70,823)
Proceeds Received from Sale of Marketable Securities	568,931	1,156,978
Purchase of Marketable Securities	(578,808)	(1,160,415)
Net Cash Used by Investing Activities	(33,995)	(74,260)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(6,148)	(5,251)
Permanently Restricted Contributions Received	1,500	300
Net Cash Used by Financing Activities	(4,648)	(4,951)
NET INCREASE (DECREASE) IN CASH	76,923	(148,538)
Cash - Beginning of Year	84,162	232,700
CASH - END OF YEAR	\$ 161,085	\$ 84,162

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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, expenses, 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, 2006 AND 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

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, with no further accrual of interest. 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, 2006 AND 2005

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, 2006 and 2005 of \$34,064 and \$33,073, respectively. Long-term pledge receivables are recorded net of discounts of \$21,226 and \$32,841 as of December 31, 2006 and 2005, 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.

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.

Advertising and Marketing

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

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2006 AND 2005

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>2006</u>	<u>2005</u>
2006	\$ -	\$ 655,813
2007	430,304	235,765
2008	251,325	170,580
2009	89,960	53,665
2010	11,640	2,795
Thereafter	7,200	-
Total Pledges Receivable	<u>790,429</u>	<u>1,118,618</u>
Less: Discount	<u>(21,226)</u>	<u>(32,841)</u>
	769,203	1,085,777
Less: Allowance for Uncollectible	<u>(34,064)</u>	<u>(33,073)</u>
Net Pledges Receivable	<u>\$ 735,139</u>	<u>\$ 1,052,704</u>

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

NOTE 3 INVESTMENTS

Investments consist of the following at December 31:

	<u>2006</u>	<u>2005</u>
Investments:		
Cash Held for Investment Purposes	\$ 808,522	\$ 369,447
Certificates of Deposits	-	97,724
Government Bonds	-	98,063
Stock Mutual Funds	1,207,046	1,216,149
Bond Mutual Funds	404,208	462,519
Hedge Fund of Funds	362,068	389,596
Total Investments	<u>\$ 2,781,844</u>	<u>\$ 2,633,498</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2006	2005
Leasehold Improvements	\$ 46,186	\$ 46,186
Equipment	227,082	202,965
Furniture and Fixtures	271,626	271,626
Total Property and Equipment	<u>544,894</u>	<u>520,777</u>
Less: Accumulated Depreciation	(422,109)	(317,511)
Property and Equipment - Net	<u>\$ 122,785</u>	<u>\$ 203,266</u>

NOTE 5 LINE OF CREDIT

In August 2006, 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 August 17, 2007 and requires interest at prime rate plus 1% (8.25% at December 31, 2006). At December 31, 2006 and 2005, 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 lease expires in November 2008, with a one time renewal option for five years. The monthly base rent under the lease ranges from approximately \$12,700 to \$14,300.

The Organization also has one office equipment lease requiring monthly payments of \$325.

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

	2006	2005
Base Rent Paid on a Straight Line Basis	\$ 155,229	\$ 155,229
Real Estate Taxes and Operating Expenses	144,302	138,970
Other Equipment and Lease Expense	8,768	13,031
Total	<u>\$ 308,299</u>	<u>\$ 307,230</u>

Annual base rent, estimated operating commitments, and office equipment leases at December 31, 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 292,000
2008	271,000
Total	<u>\$ 563,000</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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 \$200,000. The letter of credit is backed by a promissory note with a bank in the amount of \$200,000.

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 \$19,834 and \$12,743 at December 31, 2006 and 2005, respectively. Amortization expense is recorded as depreciation. The future payments on the leases as of December 31, 2006 are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$ 8,880
2008	5,920
Total	14,800
Less: Amounts Representing Interest	(1,954)
	12,846
Less: Current Portion of Capital Lease Obligation	(7,279)
Total Long-Term Portion of Capital Lease Obligation	<u>\$ 5,567</u>

Interest expense for the years ended December 31, 2006 and 2005 was \$2,710 and \$4,033, respectively.

NOTE 8 NET ASSETS

Temporarily Restricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Consolidation Property and Equipment	\$ 45,825	\$ 103,658
Time Restricted	811,387	1,008,631
Total Temporarily Restricted Net Assets	<u>\$ 857,212</u>	<u>\$ 1,112,289</u>

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

	<u>2006</u>	<u>2005</u>
Consolidation	\$ 57,833	\$ 60,332
Time Restricted	620,113	544,874
Total Released from Restrictions	<u>\$ 677,946</u>	<u>\$ 605,206</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 8 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

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

	2006	2005
Scholarships	\$ 21,740	\$ 21,740
Memorial Funds	23,627	22,127
Camp Program Funds	40,000	40,000
Community Foundation Holdings	13,001	11,961
Other	3,600	3,600
Total Permanently Restricted Net Assets	<u>\$ 101,968</u>	<u>\$ 99,428</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 \$125,976 and \$122,808 for the years ended December 31, 2006 and 2005, 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:

	2006	2005
United Way - Allocation Support	\$ 799,117	\$ 798,590
United Way - Designated Support	149,006	129,591
Total	<u>\$ 948,123</u>	<u>\$ 928,181</u>

The Organization also received another contribution from one organization that accounted for 18% and 12% of support revenue for the year ended December 31, 2006 and 2005, respectively. There were no concentrations from other sources in 2006 and 2005.

The Organization's pledges receivable are from a limited number of individuals and foundations. As of December 31, 2006 and 2005, 12% and 46% of the outstanding pledges were due from one and two individual(s), respectively.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

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 and materials. 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 for the years ended December 31:

	<u>2006</u>	<u>2005</u>
In-Kind Donations and Services:		
Event Tickets	\$ 68,528	\$ 68,194
Advertising	13,500	15,000
Office Supplies	-	1,076
Gift Certificates	420	172
Professional Fees	1,500	7,636
Prizes	1,308	3,004
Staff Training	-	5,200
Books	-	45
Investment Analysis	11,557	5,000
Back-up Tapes	4,000	-
Food Baskets	1,451	-
Tent Rental	350	-
Picnic Supplies	440	-
Other	604	-
Total In-Kind Donations and Services	<u>\$ 103,658</u>	<u>\$ 105,327</u>
In-Kind Expense Allocation:		
Program Services	\$ 71,380	\$ 72,691
Management and General	11,827	17,636
Fundraising	20,451	15,000
Total In-Kind Expense Allocation	<u>\$ 103,658</u>	<u>\$ 105,327</u>

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.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005

NOTE 13 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America were \$21,053 and \$20,560 during the years ended December 31, 2006 and 2005, respectively. The Organization also received funding of \$86,636 and \$42,083 from Big Brothers Big Sisters of America for the years ended December 31, 2006 and 2005, respectively.

NOTE 14 CONTINGENCY

The company is involved in one potential legal issue. Outside counsel for the company has advised that at this stage in the proceedings an opinion cannot be offered as to the probable outcome. The company believes the suit is without merit and is vigorously defending its position.