

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

COMBINED FINANCIAL STATEMENTS WITH COMPLIANCE
REPORTS AND SUPPLEMENTAL INFORMATION

DECEMBER 31, 2007

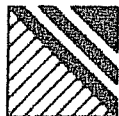
AND

REPORT OF INDEPENDENT AUDITORS

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES
COMBINED FINANCIAL STATEMENTS WITH COMPLIANCE REPORTS AND
SUPPLEMENTAL INFORMATION
DECEMBER 31, 2007

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL STATEMENTS:	
Report of Independent Auditors	1-2
Combined Statement of Financial Position	3
Combined Statement of Activities	4
Combined Statement of Functional Expenses	5
Combined Statement of Cash Flows	6
Notes to Combined Financial Statements	7 - 15
COMPLIANCE REPORTS:	
Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16 - 17
Report of Independent Auditors on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 and the <i>State of Texas Single Audit Circular</i>	18 - 19
Schedule of Findings and Questioned Costs	20
Schedule of Expenditures of Federal and State Awards	21
Notes to Schedule of Expenditures of Federal and State Awards	22
Summary Schedule of Prior Audit Findings	23
SUPPLEMENTAL INFORMATION:	
Big Brothers Big Sisters of North Texas - Schedule of Financial Position	24
Big Brothers Big Sisters of North Texas - Schedule of Activities	25
Big Brothers Big Sisters of North Texas Foundation - Schedule of Financial Position	26
Big Brothers Big Sisters of North Texas Foundation - Schedule of Activities	27



Sutton Frost Cary LLP

A Limited Liability Partnership
Certified Public Accountants and Consultants

REPORT OF INDEPENDENT AUDITORS

Boards of Directors
BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

We have audited the accompanying combined statement of financial position of BIG BROTHERS BIG SISTERS OF NORTH TEXAS AND AFFILIATES (a nonprofit organization) as of December 31, 2007 and the related combined statements of activities, functional expenses, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. The financial statements of BIG BROTHERS BIG SISTERS OF NORTH TEXAS FOUNDATION and 450 CARPENTER FREEWAY, LLC were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of BIG BROTHERS BIG SISTERS NORTH TEXAS AND AFFILIATES as of December 31, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

(Continued)

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Boards of Directors
BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2008 on our consideration of BIG BROTHERS BIG SISTERS OF NORTH TEXAS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The accompanying schedules of financial position and activities of BIG BROTHERS BIG SISTERS OF NORTH TEXAS and BIG BROTHERS BIG SISTERS OF NORTH TEXAS FOUNDATION are presented for the purpose of additional analysis. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.



A Limited Liability Partnership

April 11, 2008

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 2,024,159
Unconditional promises to give (net of allowance of \$133,223)	5,183,586
Accounts receivable	215,545
Investments in marketable securities	2,514,216
Prepaid expenses and deposits	63,917
Property and equipment (net of accumulated depreciation of \$1,001,419)	6,630,748
Cash surrender value of life insurance policies	32,713
Other assets	750
	<hr/>
Total assets	\$ 16,665,634

LIABILITIES AND NET ASSETS

Accounts payable	\$ 824,099
Payable to subrecipients	60,318
Salaries payable	268,023
Payroll liabilities	211,151
Scholarships payable	230,182
Long-term debt	4,699,716
Other liabilities	59,479
	<hr/>
Total liabilities	6,352,968
Unrestricted net assets	10,280,059
Temporarily restricted net assets	32,607
	<hr/>
Total net assets	10,312,666
	<hr/>
Total liabilities and net assets	\$ 16,665,634

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

**BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES**

**COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions	\$ 1,520,859	\$ 4,700	\$ 1,525,559
Foundations and grants	4,913,505	-	4,913,505
Campaign for Children in Crisis	1,817,126	1,249,822	3,066,948
Special events (net of direct cost of \$374,779)	2,028,432	-	2,028,432
United Way grants	735,723	-	735,723
In-kind contributions	29,755	-	29,755
Investment income	210,840	-	210,840
Miscellaneous income	73,328	-	73,328
Net assets released from restrictions	4,239,969	(4,239,969)	-
Total revenue	15,569,537	(2,985,447)	12,584,090
Operating expenses:			
Program services - program expense	8,789,198	-	8,789,198
Supporting services:			
Administrative expense	1,242,986	-	1,242,986
Fundraising expense	1,677,700	-	1,677,700
Total operating expenses	11,709,884	-	11,709,884
Excess of revenue over operating expenses	3,859,653	(2,985,447)	874,206
Non-operating other revenue - property transfer from affiliate	350,476	-	350,476
Change in net assets	4,210,129	(2,985,447)	1,224,682
Net assets at beginning of year	6,069,930	3,018,054	9,087,984
Net assets at end of year	\$ 10,280,059	\$ 32,607	\$ 10,312,666

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

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Expense	Administrative Expense	Fundraising Expense	Total
Salaries and wages	\$ 4,550,348	\$ 465,308	\$ 531,725	\$ 5,547,381
Retirement costs	68,514	7,006	8,006	83,526
Employee-related insurance	750,764	76,771	87,729	915,264
Other benefits	84,676	8,659	9,894	103,229
Payroll taxes	343,231	35,098	40,108	418,437
Accounting fees	1,776	19,163	-	20,939
Supplies	24,674	13,823	6,316	44,813
Telecommunications	134,413	10,141	11,691	156,245
Postage and shipping	25,802	1,628	9,183	36,613
Occupancy	225,289	79,595	16,862	321,746
Equipment	122,690	40,003	17,371	180,064
Printing and publishing	110,020	7,864	13,056	130,940
Travel	103,203	8,575	12,848	124,626
Conferences	23,922	7,526	6,437	37,885
Insurance	61,634	17,402	14,339	93,375
Interest	-	270,381	-	270,381
Depreciation	46,107	100,863	6,601	153,571
Other services	86,778	42,971	11,995	141,744
Dues and licenses	96,048	14,621	3,003	113,672
Miscellaneous	6,253	11,517	16,657	34,427
Board	12,261	4,071	9,323	25,655
Program activity	957,915	-	-	957,915
Direct fundraising	-	-	714,004	714,004
Bad debts	-	-	130,552	130,552
Payments to subrecipients	952,880	-	-	952,880
Total	<u>\$ 8,789,198</u>	<u>\$ 1,242,986</u>	<u>\$ 1,677,700</u>	<u>\$ 11,709,884</u>

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

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

Cash flows from operating activities:	
Increase in net assets	\$ 1,224,682
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	153,571
Property transfer from affiliate	(350,476)
Gain on investments in marketable securities	(87,582)
Allowance for doubtful accounts	57,770
Amortization of discount on unconditional promises to give	(9,882)
Changes in assets and liabilities:	
Unconditional promises to give	(2,006,481)
Accounts receivable	279,049
Prepaid expenses and deposits	(28,307)
Accounts payable	(159,857)
Payable to subrecipients	(39,860)
Salaries payable	122,987
Payroll liabilities	71,161
Scholarships payable	(33,359)
Other liabilities	59,479
Net cash used by operating activities	<u>(747,105)</u>
Cash flows from investing activities:	
Proceeds from sale of investments in marketable securities	1,596,361
Proceeds from sale of certificate of deposit	20,000
Purchase of investments in marketable securities	(568,168)
Purchases of property and equipment	(1,320,575)
Cash received in property transfer from affiliate	178,069
Net cash used by investing activities	<u>(94,313)</u>
Net decrease in cash and cash equivalents	(841,418)
Cash and cash equivalents at beginning of year	<u>2,865,577</u>
Cash and cash equivalents at end of year	<u>\$ 2,024,159</u>
Supplemental cash flow information -	
cash paid during the year for interest	<u>\$ 255,865</u>

Noncash investing and financing activities:

During the year ended December 31, 2007, the Organization purchased property through the issuance of long-term debt totaling \$4,699,716.

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

BIG BROTHERS BIG SISTERS OF NORTH TEXAS AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

1 - ORGANIZATION

BIG BROTHERS BIG SISTERS OF NORTH TEXAS ("Agency") is a nonprofit organization formed to provide children from diverse and typically single parent backgrounds with the opportunity to improve their self-esteem through positive one-on-one relationships with adult volunteers.

The Agency is currently operating from 11 separate locations in Texas: Collin County, Dallas County, Denton County, Grayson County, Lamar County, Abilene, Arlington, Irving, Brownwood, San Angelo and Fort Worth.

BIG BROTHERS BIG SISTERS OF NORTH TEXAS FOUNDATION ("Foundation") is a nonprofit corporation formed for the purpose of creating and administering an endowment fund for the benefit of work sponsored by the Agency and to perform such other functions as may be necessary or appropriate to fulfill the purposes of the Foundation. The board of directors of the Agency controls the board of directors of the Foundation. Resources for the Foundation's activities are primarily provided by investment income.

450 Carpenter Freeway, LLC ("LLC") is a non-profit, single-member limited liability corporation formed for the purpose of purchasing a building. The single member of the LLC is the Foundation.

The Agency, the Foundation and the LLC are collectively referred to herein as the "Organizations". The Organizations are supported primarily by contributions and grants from individuals, corporations, other nonprofit organizations, and government agencies.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organizations conform to U.S. generally accepted accounting principles as applicable to voluntary health and welfare organizations. The more significant accounting policies of the Organizations are described below.

CONSOLIDATION

The consolidated financial statements include the accounts of the Agency, the Foundation and the LLC. All material inter-organization transactions have been eliminated.

BASIS OF ACCOUNTING

The Organizations prepare the financial statements on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses are recorded as incurred.

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

NET ASSET ACCOUNTING

The Organizations classify net assets into three categories: unrestricted, temporarily restricted and permanently restricted. All net assets are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Temporarily restricted net assets include contributions with temporary, donor-imposed time or purpose restrictions. Temporarily restricted net assets become unrestricted and are reported in the statement of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose. Permanently restricted net assets include contributions with donor-imposed restrictions requiring resources to be maintained in perpetuity, but permitting use of all or part of the investment income earned on the contributions.

FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATIONS

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, unconditional promises to give, accounts receivable and marketable securities. Cash is placed with high credit quality financial institutions to minimize risk. Unconditional promises to give are unsecured and are due from various donors. Accounts receivable are unsecured and are due from various government agencies. The Organizations continually evaluate the collectability of unconditional promises to give and accounts receivable.

The Organizations maintain cash balances at several financial institutions located in Texas. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At December 31, 2007, the Organizations' uninsured balances total \$1,424,279.

INVESTMENTS IN MARKETABLE SECURITIES

Investments in marketable securities consist of mutual funds and common stocks. Investments in marketable securities are recorded at fair value based on quoted market prices.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and highly liquid investments with a maturity of three months or less when purchased.

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organizations are recorded at cost or if acquired by gift, fair market value at the date of the gift. The Organizations follow the practice of capitalizing all expenditures for property and equipment in excess of \$1,000; the fair value of donated fixed assets is similarly capitalized. Depreciation is calculated using the straight-line method based upon the estimated useful lives of 10 to 29 years for buildings and improvements and 3 to 10 years for furniture and equipment.

CONTRIBUTIONS

Contributions are generally recorded only upon receipt, unless evidence of an unconditional promise to give has been received. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Conditional promises to give are not included as support until such time as the conditions are substantially met. All contributions are considered available for unrestricted use unless specifically restricted by the donor.

CONTRIBUTED SERVICES

The Organization recognizes contribution revenue for certain services received at the fair value of those services provided those services create or enhance non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Numerous individuals donate significant amounts of time to the Organizations. No donated services were utilized that met the criteria to be recorded as revenue on the Organizations' financial statements.

OPERATIONS

The Organization defines operations as all program and supporting service activities undertaken. Revenues that result from these activities, and their related expenses, are reported as operations. Gains, losses and other revenue that results from ancillary activities, such as investing liquid assets and disposing of fixed or other assets, are reported as non-operating.

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FEDERAL INCOME TAXES

The Foundation and the Agency are recognized by the Internal Revenue Service as exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and are not private foundations as defined in the code. The LLC is disregarded for tax purposes.

ALLOCATION OF FUNCTIONAL EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the various functions.

ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

JOINT COSTS

The Organizations achieve some programmatic goals through special events. Therefore \$374,779 of special events costs were allocated to program expenses on the statement of functional expenses.

3 - INVESTMENTS IN MARKETABLE SECURITIES

The Organizations' investments in marketable securities as of December 31, 2007 consist of the following:

Common stocks	\$ 1,781,750
Mutual funds	<u>732,466</u>
	<u>\$ 2,514,216</u>

(Continued)

**BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES**

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

3 - INVESTMENTS IN MARKETABLE SECURITIES (Continued)

Twenty-nine percent of the investment portfolio is concentrated in the following investments:

LKCM Fixed Income Fund	\$	506,961
LKCM Small Cap Equity Fund		<u>225,505</u>
	\$	<u><u>732,466</u></u>

Investment income for the year ended December 31, 2007 consists of the following:

Interest and dividends	\$	123,258
Realized gains on sales of investments in marketable securities		186,226
Unrealized loss on investments in marketable securities		<u>(98,644)</u>
	\$	<u><u>210,840</u></u>

4 - CASH SURRENDER VALUE OF LIFE INSURANCE POLICIES

Three former board members have contributed life insurance policies on themselves to the Foundation. The Foundation is the owner and beneficiary of these policies. The estimated cash surrender value of these policies at December 31, 2007 is \$32,713.

5 - UNCONDITIONAL PROMISES TO GIVE

During 2006 the Organizations began a campaign titled "The Campaign for Children in Crisis" ("CFCC"). The funds from this campaign will be utilized for the Organizations' new headquarters, endowments, program expansion and agency operations. Of the funds raised, 59% will ultimately be transferred to the Foundation, while 41% will be retained by the Agency.

The campaign goal is as follows:

Headquarters	\$	6,775,000		
Endowments		<u>6,000,000</u>		
			\$ 12,775,000	59%
Program expansion		4,000,000		
Agency operations		<u>5,000,000</u>		
			<u>9,000,000</u>	41%
Total			<u><u>\$ 21,775,000</u></u>	

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

5 - UNCONDITIONAL PROMISES TO GIVE (Continued)

Contributions to the Organizations are recognized when the donor makes a promise to give that is, in substance, unconditional. These unconditional promises to give are received from various sources.

An allowance for uncollectible, unconditional promises to give is provided for based on an aging of open accounts at the balance sheet date and prior year experience. Promises to give beyond 2007 are valued using the discount rate of 2.5%.

Unconditional promises to give at December 31, 2007, were as follows:

Unconditional promises to give	\$ 5,422,704
Less allowance for uncollectible amounts	(133,223)
Less discount to net present value	(105,895)
Net unconditional promises to give	<u>\$ 5,183,586</u>
Receivable in one year or less	\$ 2,928,211
Receivable between one to five years	2,120,643
Receivable in more than five years	134,732

6 - LONG-TERM DEBT

Long-term debt at December 31, 2007 consists of a note payable to a bank for the purchase of a building. The note is payable is due in monthly installments of \$67,227, including interest at 7.25% and maturing on December 26, 2011.

Maturities of long-term debt are as follows:

2008	\$ 440,313
2009	514,811
2010	553,400
2011	3,191,192

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

7 - SCHOLARSHIPS PAYABLE

The Organizations have awarded college scholarships to deserving students through the issuance of commitment letters. A liability for these scholarship commitments has been estimated based on historical utilization of the scholarships. During the year ended December 31, 2007 scholarship payments in the amount of \$16,364 were disbursed.

8 - RESTRICTED NET ASSETS

Temporarily restricted net assets represent contributions for which the donors impose restrictions on the use of the funds. As of December 31, 2007, the net assets were temporarily restricted for the following purposes:

Scholarships	\$ 19,282
Special events and activities	13,325
Total	<u>\$ 32,607</u>

During the year ended December 31, 2007, net assets were released from restrictions and utilized as follows:

Scholarships	\$ 5,000
CFCC	4,188,714
School supplies	14,536
Nutrition	28,760
Special events and activities	2,959
Total	<u>\$ 4,239,969</u>

9 - RELATED PARTY TRANSACTIONS AND CONTINGENCY

The Organizations entered into a property management agreement with an entity owned by a board member. The agreement calls for the property management company to be paid a management fee of 3% of monthly rents collected with a minimum of \$1,000 per month, a construction management fee of 4.5% of construction expenditures and leasing fees ranging from 2% to 6.5% of total rents. Amounts paid under this agreement during the year ended December 31, 2007 totaled \$4,000.

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

9 - RELATED PARTY TRANSACTIONS AND CONTINGENCY (Continued)

The Organizations enter into various transactions with other Big Brothers Big Sisters affiliates across the country. Such transactions do not materially affect the Organizations.

10 - SPECIAL EVENT REVENUE

During the year ended December 31, 2007, the following special events generated significant revenue as indicated below:

Bowl for kid's sake	\$ 611,244
Gala	513,476
Celebrity golf	450,768
Raffle	<u>272,525</u>
	<u>\$ 1,848,013</u>

The loss of any of these revenues would have a significant effect on the operation of the Organizations. Direct costs associated with these special events totaled \$374,779 and are not included in the above amounts.

11 - LEASES

The Organizations lease various office spaces and equipment under non-cancelable operating lease agreements expiring through 2010. The following is a schedule of future minimum lease payments under these lease agreements for the years ending December 31:

2008	\$ 176,403
2009	79,471
2010	8,833

Operating lease expense related to office space and equipment totaled \$106,813 for the year ended December 31, 2007.

12 - IN KIND CONTRIBUTIONS

The Organizations' Dallas office was housed in donated facilities during part of the year ended December 31, 2007. The contribution is valued at \$29,755 and is included in in-kind contributions in the accompanying combined statement of activities and occupancy expense in the accompanying combined statement of functional expenses.

(Continued)

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

(Continued)

13 - EMPLOYEE RETIREMENT PLAN

A defined contribution retirement plan is provided for employees meeting certain minimum eligibility requirements. Employees may contribute a portion of their earnings to this plan with the Organizations matching a portion of these contributions. During the year ended December 31, 2007, the Organizations contributed matching funds totaling \$83,526 to the plan.

14 - PROPERTY TRANSFER FROM AFFILIATE

On October 31, 2007, the following assets and liabilities of Big Brothers Big Sisters of West Central Texas, an affiliate, were transferred to the Agency:

Cash	\$ 178,069
Unconditional promises to give (net of allowance of \$31,206)	104,066
Due from affiliate	35,311
Certificate of deposit	20,000
Investment	50,000
Accounts payable	<u>(36,970)</u>
Net transfer	<u>\$ 350,476</u>

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Board of Directors
BIG BROTHERS BIG SISTERS OF NORTH TEXAS

We have audited the combined financial statements of BIG BROTHERS BIG SISTERS OF NORTH TEXAS AND AFFILIATES (a nonprofit organization) as of and for the year ended December 31, 2007 and issued our report thereon dated April 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of BIG BROTHERS BIG SISTERS OF NORTH TEXAS FOUNDATION and 450 CARPENTER FREEWAY, LLC were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BIG BROTHERS BIG SISTERS OF NORTH TEXAS' ("Organization") internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

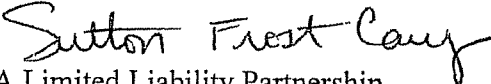
Board of Directors
BIG BROTHERS BIG SISTERS OF NORTH TEXAS

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


A Limited Liability Partnership
Certified Public Accountants

Arlington, Texas
April 11, 2008

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133 AND THE
STATE OF TEXAS SINGLE AUDIT CIRCULAR

Board of Directors
BIG BROTHERS BIG SISTERS OF NORTH TEXAS

Compliance

We have audited the compliance of BIG BROTHERS BIG SISTERS OF NORTH TEXAS ("Organization") (a non-profit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *State of Texas Single Audit Circular* that are applicable to its major federal and state programs for the year ended December 31, 2007. The Organization's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal and state programs are the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Those standards, OMB Circular A-133 and the *State of Texas Single Audit Circular* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended December 31, 2007.

(Continued)

Internal Control Over Compliance

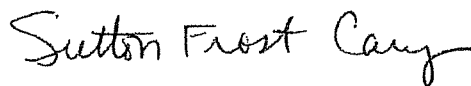
The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on major federal and state programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A *control deficiency* exists in an entity's internal control over compliance when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



A Limited Liability Partnership
Certified Public Accountants

Arlington, Texas
April 11, 2008

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the combined financial statements of BIG BROTHERS BIG SISTERS OF NORTH TEXAS AND AFFILIATES.
2. No material weaknesses relating to internal control over financial reporting were identified.
3. No significant deficiencies relating to internal control over financial reporting were identified that are not considered to be material weaknesses.
4. No instances of noncompliance material to the financial statements of BIG BROTHERS BIG SISTERS OF NORTH TEXAS were disclosed during the audit.
5. No material weaknesses relating to the audit of the major federal and state award programs were identified.
6. No significant deficiencies relating to the audit of the major federal and state award programs were identified that are not considered to be material weaknesses.
7. The auditor's report on compliance for the major federal and state award programs for BIG BROTHERS BIG SISTERS OF NORTH TEXAS expresses an unqualified opinion.
8. Audit findings relative to the major federal and state award programs for BIG BROTHERS BIG SISTERS OF NORTH TEXAS are reported in Part C of this schedule.
9. The program tested as a major federal program was the Amachi Texas Program, CFDA #93.558. The program tested as a major state program was the Office of the Governor of the State of Texas Amachi Texas Program.
10. The threshold for distinguishing Types A and B programs was \$300,000.
11. BIG BROTHERS BIG SISTERS OF NORTH TEXAS was determined to be a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal and State Award Programs Audit

None

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-through Grantor/Program Title	CFDA #	Pass-through Grantor's #	Program Award Amount	Expenditures	Provided to Subrecipients
U.S. Department of Education:					
School Based Mentoring	84.184B	Q184B050087-07	\$ 172,279	\$ 63,127	\$ -
School Based Mentoring	84.184B	Q184B050087-08	211,308	110,810	-
Birdville Independent School District - School Based Mentoring	84.184B	-	37,485	19,600	-
Birdville Independent School District - School Based Mentoring	84.184B	-	55,000	19,000	-
Desoto Independent School District - School Based Mentoring	84.184B	-	311,514	129,459	-
Desoto Independent School District - School Based Mentoring	84.184B	-	311,514	181,075	-
Everman Independent School District - School Based Mentoring	84.184B	-	134,350	100,764	-
Everman Independent School District - School Based Mentoring	84.184B	-	134,350	33,588	-
Fort Worth Independent School District - School Based Mentoring	84.184B	-	22,580	11,290	-
Fort Worth Independent School District - School Based Mentoring	84.184B	-	22,580	11,290	-
Waxahachie Independent School District - School Based Mentoring	84.184B	-	112,220	83,593	-
Irving Independent School District - School Based Mentoring	84.184B	-	144,000	36,000	-
Texas Education Agency - Dropout Prevention	84.360	1785	5,000	5,000	-
Texas Education Agency - Dropout Prevention	84.360	1785	70,567	28,258	-
U.S. Office of Juvenile Justice:					
Office of the Governor - Juvenile Justice Delinquency Prevention	16.540	JA-07-J21-16278-05	40,000	22,497	-
Office of the Governor - Juvenile Justice Delinquency Prevention	16.540	JA-08-J21-16278-06	30,000	10,000	-
ICF International - Juvenile Justice Delinquency Prevention	16.542	2007-JU-FX-0017	127,000	2,500	-
U.S. Department of Health and Human Services:					
Texas Education Agency - Amachi Texas	93.558	83650017110001	2,500,000	602,536	222,830
Texas Workforce Commission - Amachi Texas	93.558	290TAN000	500,000	312,950	312,950
Big Brothers Big Sisters of South Texas - Mentoring Children of Prisoners	93.616	90CV0265/01	171,838	77,657	-
Big Brothers Big Sisters of South Texas - Mentoring Children of Prisoners	93.616	90CV0265/02	171,838	62,787	-
U.S. Department of Housing and Urban Development:					
City of Arlington - Community Development Block Grant	14.218	B-06-MC-48-0008	24,026	12,013	-
City of Arlington - Community Development Block Grant	14.218	B-07-MC-48-0008	24,026	12,013	-
City of Plano - Community Development Block Grant	14.218	-	6,900	6,900	-
Total Expenditures of Federal Awards				1,954,707	535,780
Office of the Governor of the State of Texas - Amachi Texas	-	SF-06-J20-18140-2	2,000,000	1,025,303	417,100
Texas Department of Family and Protective Services - Youth Resiliency Program	-	23362051	664,722	402,545	-
Texas Department of Family and Protective Services - Youth Resiliency Program	-	23362051	664,722	226,315	-
Texas Department of Parks and Wildlife - Pass It On	-	52-00351	26,000	8,479	-
Total Expenditures of State Awards				1,662,642	417,100
Total Expenditures of Federal and State Awards				\$ 3,617,349	\$ 952,880

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of BIG BROTHERS BIG SISTERS OF NORTH TEXAS and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided awards to subrecipients totaling \$535,780 under the Amachi Texas Program, CFDA #93.558.

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2007

None.

BIG BROTHERS BIG SISTERS OF NORTH TEXAS

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 1,095,028
Unconditional promises to give (net of allowance of \$85,973)	2,691,087
Accounts receivable	215,545
Prepaid expenses and deposits	63,917
Property and equipment (net of accumulated depreciation of \$913,757)	325,725
Other assets	750
	<hr/>
Total assets	\$ 4,392,052

LIABILITIES AND NET ASSETS

Accounts payable	\$ 824,099
Payable to subrecipients	60,318
Salaries payable	268,023
Payroll liabilities	211,151
Other liabilities	52,166
	<hr/>
Total liabilities	1,415,757
	<hr/>
Unrestricted net assets	2,968,688
Temporarily restricted net assets	7,607
	<hr/>
Total net assets	2,976,295
	<hr/>
Total liabilities and net assets	\$ 4,392,052

The accompanying notes are an integral part of this schedule.

BIG BROTHERS BIG SISTERS OF NORTH TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions	\$ 1,486,859	\$ 4,700	\$ 1,491,559
Foundations and grants	5,059,369		5,059,369
Campaign for Children in Crisis	1,817,126		1,817,126
Special events (net of direct costs of \$374,779)	2,028,432		2,028,432
United Way grants	735,723		735,723
In-kind contributions	29,755		29,755
Investment income	5,020		5,020
Miscellaneous income	73,328		73,328
Net assets released from restrictions	76,254	(76,254)	-
Total revenue	11,311,866	(71,554)	11,240,312
Operating expenses:			
Program services - program expense	8,789,198	-	8,789,198
Supporting services:			
Administrative expense	843,985	-	843,985
Fundraising expense	1,583,386	-	1,583,386
Total operating expenses	11,216,569	-	11,216,569
Excess of revenue over operating expenses	95,297	(71,554)	23,743
Non-operating other revenue-			
property transfer from affiliate	350,476	-	350,476
Change in net assets	445,773	(71,554)	374,219
Net assets at beginning of year	2,522,915	79,161	2,602,076
Net assets at end of year	\$ 2,968,688	\$ 7,607	\$ 2,976,295

The accompanying notes are an integral part of this schedule.

BIG BROTHERS BIG SISTERS OF NORTH TEXAS FOUNDATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2007

ASSETS

Cash and cash equivalents	\$ 929,131
Unconditional promises to give (net of allowance of \$47,250)	2,492,499
Investments in marketable securities	2,514,216
Property and equipment (net of accumulated depreciation of \$87,662)	6,305,023
Cash surrender value of life insurance policies	<u>32,713</u>
Total assets	<u>\$ 12,273,582</u>

LIABILITIES AND NET ASSETS

Scholarships payable	\$ 230,182
Long-term debt	4,699,716
Other liabilities	<u>7,313</u>
Total liabilities	<u>4,937,211</u>
Unrestricted net assets	7,311,371
Temporarily restricted net assets	<u>25,000</u>
Total net assets	<u>7,336,371</u>
Total liabilities and net assets	<u>\$ 12,273,582</u>

The accompanying notes are an integral part of this schedule.

BIG BROTHERS BIG SISTERS NORTH TEXAS FOUNDATION

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2007

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Contributions	\$ 34,000	\$ -	\$ 34,000
Campaign for Children in Crisis	-	1,249,822	1,249,822
Investment income	205,820	-	205,820
Net assets released from restrictions	4,188,715	(4,188,715)	-
Total revenue	4,428,535	(2,938,893)	1,489,642
Operating expenses:			
Program services - program expense	62,000	-	62,000
Supporting services:			
Administrative expense	380,929	-	380,929
Fundraising expense	196,250	-	196,250
Total operating expenses	639,179	-	639,179
Change in net assets	3,789,356	(2,938,893)	850,463
Net assets at beginning of year	3,522,015	2,963,893	6,485,908
Net assets at end of year	\$ 7,311,371	\$ 25,000	\$ 7,336,371

The accompanying notes are an integral part of this schedule.