

KANSAS BIG BROTHERS BIG SISTERS, INC.

**Financial Statements
December 31, 2010 and 2009**

**with
Independent Auditors' Report**

KANSAS BIG BROTHERS BIG SISTERS, INC.
Financial Statements
For the Years Ended December 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kansas Big Brothers Big Sisters, Inc.
Wichita, Kansas

We have audited the accompanying statement of financial position of Kansas Big Brothers Big Sisters, Inc. as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year 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 audit. The prior year comparative information has been derived from the Organization's 2009 financial statements, which were audited by other auditors whose report dated July 28, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 audit provides 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 Kansas Big Brothers Big Sisters, Inc., as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*, we have also issued our report dated August 2, 2011, on our consideration of the Organization's internal control over financial reporting and 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 considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

August 2, 2011

Peterson Peterson & Zoss, LC

KANSAS BIG BROTHERS BIG SISTERS, INC.

Statements of Financial Position

December 31, 2010 and 2009

ASSETS

	2010	2009
Cash and cash equivalents	\$ 1,523,001	\$ 1,190,371
Grant reimbursements receivable	42,690	75,285
Prepaid expenses	12,349	42,301
Investments	589,581	565,443
Beneficial interest in Wichita Community Foundation	32,927	20,000
Contributions receivable	1,668,887	2,019,972
Property and equipment, net of accumulated depreciation	2,803,104	2,862,930
Total assets	<u>\$ 6,672,539</u>	<u>\$ 6,776,302</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 73,399	\$ 49,984
Line of credit	88,494	115,994
Accrued wages and related deductions	84,139	73,569
Accrued vacation	149,998	143,851
Other accrued expenses	2,096	1,699
Long-term debt	46,266	47,809
Total liabilities	<u>444,392</u>	<u>432,906</u>

Net Assets:

Unrestricted		
Unrestricted	4,358,755	4,144,081
Board designated	125,527	114,616
Temporarily restricted	1,666,056	2,030,648
Permanently restricted	77,809	54,051
Total net assets	<u>6,228,147</u>	<u>6,343,396</u>

Total liabilities and net assets	<u>\$ 6,672,539</u>	<u>\$ 6,776,302</u>
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See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Statements of Activities
 For the Years Ended December 31, 2010 and 2009

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support:				
Special events				
Special event income	\$ 1,272,316	\$ -	\$ -	\$ 1,272,316
Special event expenses	(377,247)			(377,247)
Net special events income	895,069	-	-	895,069
Contributions	1,650,838	489,165	23,758	2,163,761
Grants	2,096,889			2,096,889
Investment return	61,868			61,868
Other revenue	531,167			531,167
Gain on sale of assets	278			278
Net assets released from restrictions	853,757	(853,757)		-
Total revenues, gains and other support	6,089,866	(364,592)	23,758	5,749,032
Expenses:				
Program	5,161,504			5,161,504
Management and general	601,582			601,582
Fundraising	101,195			101,195
Total expenses	5,864,281	-	-	5,864,281
Change in net assets	225,585	(364,592)	23,758	(115,249)
Net assets, beginning of year	4,258,697	2,030,648	54,051	6,343,396
Net assets, end of year	<u>\$ 4,484,282</u>	<u>\$ 1,666,056</u>	<u>\$ 77,809</u>	<u>\$ 6,228,147</u>

See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Statements of Activities
 For the Years Ended December 31, 2010 and 2009

	2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support:				
Special events				
Special event income	\$ 1,282,291	\$ -	\$ -	\$ 1,282,291
Special event expenses	(470,574)			(470,574)
Net special events income	811,717	-	-	811,717
Contributions	1,597,541	2,468,923	24,867	4,091,331
Grants	1,989,312			1,989,312
Investment return	68,263	5,020		73,283
Other revenue	521,866			521,866
Loss on sale of assets	(1,987)			(1,987)
Net assets released from restrictions	868,243	(868,243)		-
Total revenues, gains and other support	5,854,955	1,605,700	24,867	7,485,522
Expenses:				
Program	5,156,536			5,156,536
Management and general	529,627			529,627
Fundraising	214,413			214,413
Total expenses	5,900,576	-	-	5,900,576
Change in net assets	(45,621)	1,605,700	24,867	1,584,946
Net assets, beginning of year	4,304,318	424,948	29,184	4,758,450
Net assets, end of year	\$ 4,258,697	\$ 2,030,648	\$ 54,051	\$ 6,343,396

See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Statements of Functional Expenses
 For the Years Ended December 31, 2010 and 2009

	2010			
	Program	Management and General	Fund- Raising	2010 Total
Salaries and wages	\$ 3,280,969	\$ 303,231	\$ 38,293	\$ 3,622,493
Employee benefits	685,689	59,541	14,004	759,234
Total salaries, wages and related expenses	3,966,658	362,772	52,297	4,381,727
Equipment and supplies	288,757	41,452	10,564	340,773
Group activities and volunteer appreciation	118,253	369		118,622
Training	59,704	3,653	1,830	65,187
Contract services and employment costs	101,802	100,146		201,948
Occupancy costs	297,219	26,044	6,825	330,088
Advertising	39,550	1,103		40,653
Insurance	62,490	5,998	2,991	71,479
Printing	6,577	92	18,852	25,521
Postage	44,320	1,660		45,980
National dues		34,497		34,497
Special program collaboration fees	42,958			42,958
Interest		8,124		8,124
Depreciation	133,216	15,672	7,836	156,724
Totals	<u>\$ 5,161,504</u>	<u>\$ 601,582</u>	<u>\$ 101,195</u>	<u>\$ 5,864,281</u>

See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Statements of Functional Expenses
 For the Years Ended December 31, 2010 and 2009

	2009			
	Program	Management and General	Fund- Raising	2009 Total
Salaries and wages	\$ 3,346,464	\$ 296,578	\$ 57,855	\$ 3,700,897
Employee benefits	628,008	54,969	22,373	705,350
 Total salaries, wages and related expenses	 3,974,472	 351,547	 80,228	 4,406,247
Equipment and supplies	311,937	25,654	61,623	399,214
Group activities and volunteer appreciation	90,837			90,837
Training	51,247	3,533	4,143	58,923
Contract services and employment costs	91,041	43,068	22,658	156,767
Occupancy costs	313,115	41,015	6,237	360,367
Advertising	30,607			30,607
Insurance	57,211	5,606	3,943	66,760
Printing	3,013		27,925	30,938
Postage	37,610	2,068		39,678
National dues		35,661		35,661
Special program collaboration fees	65,233			65,233
Interest	53	6,162		6,215
Depreciation	130,160	15,313	7,656	153,129
 Totals	 <u>\$ 5,156,536</u>	 <u>\$ 529,627</u>	 <u>\$ 214,413</u>	 <u>\$ 5,900,576</u>

See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Statements of Cash Flows
 For the Years Ended December 31, 2010 and 2009

	2010	2009
Operating Activities		
Change in net assets	\$ (115,249)	\$ 1,584,946
Items not requiring (providing) operating activities cash flows:		
Depreciation	156,724	153,129
Gain on sale of property and equipment	(278)	-
Net realized and unrealized gains on investments	(57,834)	(65,177)
Changes in:		
Grant reimbursements receivable	32,595	14,438
Prepaid expenses	29,952	21,348
Contributions receivable	351,085	(1,595,024)
Contributions restricted for long-term purposes	(48,620)	(55,095)
Accounts payable and accrued expenses	40,529	38,547
Net cash flow from operating activities	388,904	97,112
Investing Activities		
Purchase of property and equipment	(98,120)	(44,919)
Proceeds from sale of property and equipment	1,500	-
Net sale (purchase) of investments	20,769	(66,136)
Net cash flow from investing activities	(75,851)	(111,055)
Financing Activities		
Proceeds from contributions restricted for endowment	8,395	20,845
Proceeds from contributions restricted for capital	40,225	34,250
Proceeds from issuance of short-term debt	88,494	115,994
Principal payments on long-term debt and notes payable	(117,537)	(149,675)
Net cash flow from financing activities	19,577	21,414
Increase in cash and cash equivalents	332,630	7,471
Cash and cash equivalents, beginning of year	1,190,371	1,182,900
Cash and cash equivalents, end of year	\$ 1,523,001	\$ 1,190,371
Supplemental cash flows information - interest paid	\$ 8,124	\$ 6,215

See accompanying notes to the financial statements and independent auditors' report.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

I. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations – Kansas Big Brothers Big Sisters, Inc. (Organization) is a not-for-profit organization whose mission is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever. The principal activities of the organization are to recruit, screen and monitor adult volunteers to serve as mentors for children who are considered at-risk. The Organization's revenues and other support are derived from contributions and federal and state grants. The Organization is statewide including 34 agencies who serve more than 6,000 children each year. Each of the agencies develops a community advisory board comprised of local residents who provide advice and support to Kansas Big Brothers Big Sisters, Inc.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents – The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2010 and 2009, cash equivalents consisted primarily of money market funds and certificates of deposit. The balances, at times, may exceed federally insured limits. Management believes credit risk related to these deposits is minimal.

Investments and Investment Return – Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value.

Investment return that is initially restricted to donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts Receivable – Accounts receivable are stated at the amount billed on the funding source. The Organization provides an allowance for doubtful accounts and pledges, as needed, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due upon receipt of the invoice. Delinquent receivables are written off based on individual evaluation and specific circumstances.

Property and Equipment – Property and equipment are depreciated on a straight-line basis over estimated useful life of each asset, which is 3 - 10 years for furniture and equipment and 15 - 39 years for buildings and leasehold improvements. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. The Organization capitalizes property and equipment having a useful life of more than one year and cost of \$500 or more.

Temporarily and Permanently Restricted Net Assets – Temporarily restricted net assets are those whose use by the organization has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity.

Contributions – Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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. Gifts having donor stipulations which are satisfied in the period the gift is received as unrestricted revenue and net assets.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets, unless explicit donor stipulations specify how such assets must be paid, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations or restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-Kind Contributions – In addition to receiving cash contributions, the Organization receives in-kind contributions of goods and services from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2010 and 2009, \$160,026 and \$196,551, respectively, was received in in-kind contributions. In addition, a substantial number of volunteers have donated significant amount of their time to the Organization programs.

Deferred Revenue – Revenue from grant funds received but not yet extended for their contractual purpose is deferred and recognized in the period when the contractual purpose is met. The Organization has not recorded any deferred revenue at December 31, 2010 and 2009.

Grants – Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law, and is not a private foundation. However, the Organization is subject to federal income tax on any unrelated business taxable income.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tax positions taken may include positions that the Organization is exempt from income taxes or be related to how the Organization determines its unrelated business income. The Organization recognizes the financial statement effects of a tax position only when it believes it can more likely than not sustain the position upon an examination by the relevant tax authority.

Tax years that remain open include fiscal years ending 2007, 2008, 2009 and 2010.

Functional Allocation of Expenses – The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fund-raising categories based on time expended, usage and other methods.

Advertising – The Organization's policy is to expense advertising as incurred. Advertising expense was \$40,653 and \$30,607 for the years ended December 31, 2010 and 2009.

Reclassifications – Certain amounts on the statement of financial position for the year ended December 31, 2009 have been reclassified, to be consistent with classifications adopted for the year ended December 31, 2010.

Subsequent Events – Subsequent events have been evaluated through August 2, 2011, which is the date that the audited financial statements were available to be issued.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

2. INVESTMENTS AND INVESTMENT RETURN

Investments at December 31 consisted of the following:

	2010	2009
Long term certificates of deposit	\$ 55,000	\$ 75,000
Equity securities	301,101	207,210
Corporate debt securities	162,397	214,878
Life annuity contract	52,132	52,132
Cash equivalents	1,264	202
Investment in community foundations	50,614	36,021
Total	<u>\$ 622,508</u>	<u>\$ 585,443</u>

Total investment return is comprised of the following:

	2010	2009
Interest and dividend income	\$ 25,764	\$ 23,754
Net realized and unrealized gains on investments reported at fair value	36,104	49,529
Total	<u>\$ 61,868</u>	<u>\$ 73,283</u>

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	2010	2009
Due within one year	\$ 176,279	\$ 172,301
Due in one to five years	1,594,322	1,827,416
Due in more than five years	52,512	212,570
	1,823,113	2,212,287
Less: unamortized discount	70,817	142,976
Less: allowance for uncollectible pledges	83,409	49,339
Total	<u>\$1,668,887</u>	<u>\$2,019,972</u>

Discount rates were 4.75% for 2010 and 2009 respectively.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Generally accepted accounting principles provide guidance which defines fair value, establishes a framework for measuring fair value under current accounting pronouncements that require or permit fair value measurement, and enhances disclosures about fair value measurements.

This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of in the information used to determine fair values. The guidance requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories.

Level 1 Inputs – Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 Inputs – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instruments level within fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value with Level 2 or 3 inputs, including the general classification of such instruments pursuant to the valuation hierarchy.

Certificates of Deposit – Investment values are estimated using quoted prices in markets that are not active, or from price quotations provided for comparable investments. Classified within level 2 of the hierarchy.

Life Annuity Contracts – investment value based on the surrender value of the contract and valued within Level 3 of the hierarchy.

Community Foundation – These investments are valued using a unit of account for the Net Assets Value (NAV). The NAV is based on the ownership interest in the fund. Classified within level 2 of the valuation hierarchy.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following table sets forth the Organization's financial assets that were measured at fair value on a recurring basis as of December 31, 2010 and 2009.

	2010 Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 1,264	\$ --	\$ --	\$ 1,264
Mutual Funds				
Equities	301,101	--	--	301,101
Fixed Income	162,397			162,397
Certificates of deposit		55,000		55,000
Life annuity contract			52,132	52,132
Community foundations		50,614		50,614
Total	<u>\$ 464,762</u>	<u>\$ 105,614</u>	<u>\$ 52,132</u>	<u>\$ 622,508</u>

	2009 Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 202	\$ --	\$ --	\$ 202
Mutual Funds				
Equities	179,580	--	--	179,580
Fixed Income	214,878			214,878
Common Stock				
Chemical	27,630			27,630
Certificates of deposit		75,000		75,000
Life annuity contract			52,132	52,132
Community foundations		36,021		36,021
Total	<u>\$ 422,290</u>	<u>\$ 111,021</u>	<u>\$ 52,132</u>	<u>\$ 585,443</u>

The changes in assets measured at fair value on a recurring basis using Level 3 hierarchy as of December 31, 2010 and 2009, are summarized as follows:

	2010	2009
Balance, beginning of year	\$ 52,132	\$ 52,137
Total net (loss) gain included in net income	--	(5)
Balance, end of year	<u>\$ 52,132</u>	<u>\$ 52,132</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	2010	2009
Land	\$ 5,000	\$ 5,000
Buildings and leasehold improvements	2,960,622	2,960,622
Furniture and equipment	757,395	669,932
	<u>3,723,017</u>	<u>3,635,554</u>
Less accumulated depreciation	919,913	772,624
Total	<u>\$ 2,803,104</u>	<u>\$ 2,862,930</u>

6. LINE-OF-CREDIT

The Organization has a \$250,000 revolving bank line-of-credit expiring in September 2011. At December 31, 2010, \$88,494 had been borrowed and was owed against the line of credit. The line is collateralized by substantially all of the Organization's assets. Interest accrues monthly on the balance at a rate of 4.75%.

7. LONG-TERM DEBT

	2010	2009
Note payable to bank due in monthly installments of \$389 including interest at 7% through December 31, 2012 at which time the remaining principal balance is due. Note is secured by certain real estate.	\$ 46,266	\$ 47,809
Total	<u>\$ 46,266</u>	<u>\$ 47,809</u>

Aggregate annual maturities requirements of long-term debt obligations at December 31, 2010 are:

	Long-term Debt
2011	\$ 1,472
2012	44,794
Total	<u>\$ 46,266</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

8. NET ASSETS

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

	2010	2009
Capital reserve	\$ 2,755	\$ 7,250
Donor restricted	5,020	5,020
Contributions to be received after December 31	1,658,281	2,018,378
Total	<u>\$ 1,666,056</u>	<u>\$ 2,030,648</u>

Net Assets Released From Restrictions – Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2010	2009
Purpose restrictions accomplished		
Capital	\$ 44,720	\$ 27,000
Time restrictions expired		
Passage of specified time	809,037	841,243
Total	<u>\$ 853,757</u>	<u>\$ 868,243</u>

Permanently restricted net assets are restricted for the following:

	2010	2009
Endowments	\$ 33,932	\$ 32,456
Endowment contributions receivable	10,950	1,595
Beneficial interest in Wichita Community Foundation	32,927	20,000
Total	<u>\$ 77,809</u>	<u>\$ 54,051</u>

During the year ended December 31, 2009, it was determined that balances reflected with unrestricted board designated net assets were donor restricted funds. Therefore, unrestricted board designated net assets were reclassified to be included with permanently restricted net assets.

Board designated unrestricted net assets include funds set aside for future use determined by the board.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

9. OPERATING LEASES

Noncancellable operating leases for office space and equipment expire in various years through 2013.

2011	\$	40,365
2012		18,109
2013		17,297
Total	\$	<u>75,771</u>

Rent expense for all operating leases was \$135,555 and \$187,965 for the years ended December 31, 2010 and 2009, respectively.

10. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

The Organization has a contributory pension plan that covers all employees over the age of 21 who have worked at the Organization for at least one year and who have worked no less than 1,000 hours throughout the plan year. The Organization's contributions to the plan are equal to 50% of employee contributions, not to exceed 1.5% of compensation paid to eligible participants during the plan year. Pension expense was \$32,090 and \$30,524 for the years ended December 31, 2010 and 2009.

11. BENEFICIAL INTEREST IN WICHITA COMMUNITY FOUNDATION

The Organization has an endowment with the Wichita Community Foundation based on an initial contribution of \$20,000, with additional contributions of \$9,110 during the year ended December 31, 2010. The contributions will be held as permanently restricted; the Organization will receive any interest income annually.

12. ENDOWMENTS

The Organization's endowment consists of funds for the benefit of the Organization. This includes a donor-restricted fund and four funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

12. ENDOWMENTS (continued)

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

The Organization's investment policy has set forth three main objectives (in order of importance): (1) preservation of capital, (2) maintaining liquidity, and (3) earning a positive return on investment.

The Organization is subject to the Wichita Community Foundation's spending policy for \$32,927 of its permanently restricted fund. Annual grant distribution from each endowment Fund is based on four percent of a three year moving average of endowment Fund market values determined at the end of the fiscal year before the year in which distribution is to be made. The Foundation's Board of Directors may, in its absolute discretion, due to unusual or extraordinary circumstances, designate some other amount for the Foundation to appropriate for expenditure or accumulate in any Fund. The remaining \$33,932 is invested with the Central Kansas Community Foundation. Earnings on these funds are accrued for the benefit of the Organization, and the Organization is entitled to an annual distribution of the earnings. The Organization is in the process of adopting its spending policy for the funds.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2010 and 2009

12. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ --	\$ 5,020	\$ 66,859	\$ 71,879
Board-designated endowment funds	125,527	--	--	125,527
Total funds	\$ 125,527	\$ 5,020	\$ 66,859	\$ 197,406

Changes in endowment net assets for the year ended December 31, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 114,616	\$ 5,020	\$ 52,456	\$ 172,092
Contributions	50	--	8,395	8,445
Investment income	3,027	--	1,836	4,863
Net appreciation	9,018	--	6,841	15,859
Amounts appropriated for expenditure	(1,184)	--	(2,669)	(3,853)
Endowment net assets, end of year	\$ 125,527	\$ 5,020	\$ 66,859	\$ 197,406

13. ALLOCATION OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included Bowl for Kids' Sake events and Raising More Money events. The costs of conducting those activities included a total of \$377,247 and \$470,574 in 2010 and 2009, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs are shown as special event expenses on the statement of activities.

14. SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters included the following:

Allowance for Uncollectible Pledges – Estimates of the allowance for uncollectible pledges are described in Note 1 and Note 3.

SUPPLEMENTARY INFORMATION

KANSAS BIG BROTHERS BIG SISTERS, INC.
Schedule of Expenditures of Federal Awards
December 31, 2010

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2010-20-04	\$ 15,582
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2011-20-05	5,338
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2010-32-01	75,192
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2011-32-02	25,065
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2010-31-01	28,243
Title II Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.540	OJJ-2011-31-02	9,664
				<u>159,084</u>
Title V Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.548	OJJ-2011V-32-01	1,941
Title V Formula Grant	U.S. Department of Justice/Kansas Advisory Group on Juvenile Justice and Delinquency Prevention	16.548	OJJ-2011V-35-01	3,723
				<u>5,664</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.
Schedule of Expenditures of Federal Awards
December 31, 2010

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-14	\$ 18,735
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-01	12,777
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-05	28,218
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-13	12,680
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-06	35,056
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-08	28,474
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-15	22,483
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	09-SDFSC-04	28,479
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-03	10,265
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-02	19,901
Governor's Discretionary Portion of Federal Safe and Drug-Free Schools and Communities	U.S. Department of Education/Governor's Grant	84.186B	10-SDFSC-16	37,535
				<u>254,603</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.
 Schedule of Expenditures of Federal Awards
 December 31, 2010

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Grant or Identifying Number	Amount
Mentoring Children of Prisoners	U.S. Department of Health and Human Services	93.616	90CV0424/03	\$ 564,423
				<u>\$ 983,774</u>

NOTES TO SCHEDULE

- (1) This schedule includes the federal awards activity of Kansas Big Brothers Big Sisters, Inc. and is presented on the accrual basis of accounting. This information in this schedule is presented in accordance with the requirement of OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- (2) No federal awards were provided to sub-recipients during this period.

PETERSON, PETERSON & GOSS, L.C.

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Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards

We have audited the financial statements of Kansas Big Brothers Big Sisters, Inc. (Organization) as of and for the year ended December 31, 2010, and have issued our report thereon dated August 2, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Organization's 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 of the effectiveness of the Organization's internal control over financial reporting.

A deficiency in internal control 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 and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies or 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 governing body, management and others within the Organization, 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.

Peterson Peterson & Zoss, LC

August 2, 2011
Wichita, KS

PETERSON, PETERSON & GOSS, L.C.

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Independent Auditors' Report on Compliance with Requirements
Applicable to each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A133

Compliance

We have audited the compliance of Kansas Big Brothers Big Sisters, Inc. (Organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. The Organization's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contract and grants applicable to its major federal program is the responsibility of the Organization's management. Our responsibility is to express an opinion on the compliance of Kansas Big Brothers Big Sisters, Inc. based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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*. Those standards and OMB Circular A-133 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 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 on the Organization's compliance with those requirements.

In our opinion, Kansas Big Brothers Big Sisters, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control over Compliance

Management of Kansas Big Brothers Big Sisters, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on and to test and report on internal control over compliance in accordance with OMB Circular A133, but not for the purpose of 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be 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 governing body, management, others within the Organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Peterson Peterson & Ross, LC

August 2, 2011
Wichita, KS

KANSAS BIG BROTHERS BIG SISTERS, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 2010

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Kansas Big Brothers Big Sisters, Inc.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Kansas Big Brothers Big Sisters, Inc. which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit.
5. The auditor's report on compliance for the major federal awards programs for Kansas Big Brothers Big Sisters expresses an unqualified opinion on all major federal programs.
6. There were no audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as a major program was: Mentoring Children of Prisoners, 93.616.
8. The threshold used for distinguishing between Type A and Type B programs was \$300,000.
9. Kansas Big Brothers Big Sisters, Inc. was determined to be a low-risk auditee.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Schedule of Findings and Questioned Costs

Year Ended December 31, 2010

Findings Required to be Reported by Government Auditing Standards

None were reported

Findings Required to be Reported by OMB Circular A-133

None were reported

Summary Schedule of Prior Audit Findings

<u>Finding Number</u>	<u>Finding</u>	<u>Corrective Action</u>	<u>Status</u>
None to report	None to report	None to report	None to report