

KANSAS BIG BROTHERS BIG SISTERS, INC.

**Financial Statements
December 31, 2011 and 2010**

**with
Independent Auditors' Report**

KANSAS BIG BROTHERS BIG SISTERS, INC.
Financial Statements
For the Years Ended December 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

Board of Directors

Kansas Big Brothers Big Sisters, Inc.

Wichita, Kansas

We have audited the accompanying statements of financial position of Kansas Big Brothers Big Sisters, Inc. as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kansas Big Brothers Big Sisters, Inc., as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Peterson Peterson + Goss LC

August 7, 2012

KANSAS BIG BROTHERS BIG SISTERS, INC.

Statements of Financial Position

December 31, 2011 and 2010

ASSETS

	2011	2010
Cash and cash equivalents	\$ 1,531,369	\$ 1,523,001
Grant reimbursements receivable	66,844	42,690
Prepaid expenses	14,169	12,349
Investments	634,177	622,508
Contributions receivable	1,246,939	1,668,887
Property and equipment, net of accumulated depreciation	2,616,156	2,803,104
Total assets	<u>\$ 6,109,654</u>	<u>\$ 6,672,539</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 50,030	\$ 73,399
Line of credit	151,033	88,494
Accrued wages and related deductions	76,836	84,139
Accrued vacation	97,185	149,998
Other accrued expenses	16,943	2,096
Long-term debt	45,386	46,266
Total liabilities	<u>437,413</u>	<u>444,392</u>

Net Assets:

Unrestricted		
Unrestricted	4,219,867	4,358,755
Board designated	125,787	125,527
Temporarily restricted	1,253,360	1,672,065
Permanently restricted	73,227	71,800
Total net assets	<u>5,672,241</u>	<u>6,228,147</u>
Total liabilities and net assets	<u>\$ 6,109,654</u>	<u>\$ 6,672,539</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, 2011 and 2010

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and other support:				
Special events				
Special event income	\$ 1,430,128	\$ -	\$ -	\$ 1,430,128
Special event expenses	(373,181)			(373,181)
Net special events income	1,056,947	-	-	1,056,947
Contributions	1,484,239	375,323	1,427	1,860,989
Grants	1,193,106			1,193,106
Investment return	15,667			15,667
Other revenue	528,088			528,088
Loss on sale of assets	(34,896)			(34,896)
Net assets released from restrictions	794,028	(794,028)		-
Total revenues, gains and other support	5,037,179	(418,705)	1,427	4,619,901
Expenses:				
Program	4,545,232			4,545,232
Management and general	593,486			593,486
Fundraising	37,089			37,089
Total expenses	5,175,807	-	-	5,175,807
Change in net assets	(138,628)	(418,705)	1,427	(555,906)
Net assets, beginning of year	4,484,282	1,672,065	71,800	6,228,147
Net assets, end of year	<u>\$ 4,345,654</u>	<u>\$ 1,253,360</u>	<u>\$ 73,227</u>	<u>\$ 5,672,241</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, 2011 and 2010

	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	1,656,847	489,165	17,749	2,163,761
Grants	2,096,889			2,096,889
Investment return	61,868			61,868
Other revenue	531,167			531,167
Loss on sale of assets	278			278
Net assets released from restrictions	847,748	(847,748)		-
Total revenues, gains and other support	6,089,866	(358,583)	17,749	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	(358,583)	17,749	(115,249)
Net assets, beginning of year	4,258,697	2,030,648	54,051	6,343,396
Net assets, end of year	\$ 4,484,282	\$ 1,672,065	\$ 71,800	\$ 6,228,147

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, 2011 and 2010

	2011			2011 Total
	Program	Management and General	Fund- Raising	
Salaries and wages	\$ 2,837,784	\$ 267,382	\$ 7,797	\$ 3,112,963
Employee benefits	577,770	76,854	3,216	657,840
 Total salaries, wages and related expenses	 3,415,554	 344,236	 11,013	 3,770,803
Equipment and supplies	234,253	33,004	889	268,146
Group activities and volunteer appreciation	110,726	3,843		114,569
Training	45,789	15,702	2,421	63,912
Contract services and employment costs	81,591	104,946	4,416	190,953
Occupancy costs	304,402	14,665	6,559	325,626
Advertising	91,266	11,792		103,058
Insurance	56,524	6,044	3,023	65,591
Printing	17,190	1,659		18,849
Postage	33,253	1,090	445	34,788
National dues		34,075		34,075
Special program collaboration fees	13,200			13,200
Interest		5,785		5,785
Depreciation	141,484	16,645	8,323	166,452
 Totals	 <u>\$ 4,545,232</u>	 <u>\$ 593,486</u>	 <u>\$ 37,089</u>	 <u>\$ 5,175,807</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, 2011 and 2010

	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 Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Operating Activities		
Change in net assets	\$ (555,906)	\$ (115,249)
Items not requiring (providing) operating activities cash flows:		
Depreciation	166,452	156,724
(Gain) loss on sale of property and equipment	34,896	(278)
Net realized and unrealized gains on investments	(11,995)	(57,834)
Changes in:		
Grant reimbursements receivable	(24,154)	32,595
Prepaid expenses	(1,820)	29,952
Contributions receivable	421,948	351,085
Contributions restricted for long-term purposes	(68,675)	(48,620)
Accounts payable and accrued expenses	(68,638)	40,529
Net cash flow from operating activities	(107,892)	388,904
Investing Activities		
Purchase of property and equipment	(38,450)	(98,120)
Proceeds from sale of property and equipment	24,050	1,500
Net sale (purchase) of investments	326	20,769
Net cash flow from investing activities	(14,074)	(75,851)
Financing Activities		
Proceeds from contributions restricted for endowment	3,425	8,395
Proceeds from contributions restricted for capital	65,250	40,225
Proceeds from issuance of short-term debt	90,000	-
Principal payments on long-term debt and notes payable	(28,341)	(29,043)
Net cash flow from financing activities	130,334	19,577
Increase in cash and cash equivalents	8,368	332,630
Cash and cash equivalents, beginning of year	1,523,001	1,190,371
Cash and cash equivalents, end of year	\$ 1,531,369	\$ 1,523,001
Supplemental cash flows information - interest paid	\$ 5,785	\$ 8,124

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

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

1. 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, 2011 and 2010, 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, 2011 and 2010

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 used, 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, 2011 and 2010

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, 2011 and 2010, \$304,364 and \$160,026, 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, 2011 and 2010.

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, 2011 and 2010

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 2008, 2009, 2010 and 2011.

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 \$103,058 and \$40,653 for the years ended December 31, 2011 and 2010.

Reclassifications – Certain amounts on the statement of financial position for the year ended December 31, 2010 have been reclassified, to be consistent with classifications adopted for the year ended December 31, 2011.

Subsequent Events – Subsequent events have been evaluated through August 7, 2012, 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, 2011 and 2010

2. INVESTMENTS AND INVESTMENT RETURN

Investments at December 31 consisted of the following:

	<u>2011</u>	<u>2010</u>
Long term certificates of deposit	\$ 55,000	\$ 55,000
Equity securities	166,670	194,976
Corporate debt securities	308,319	268,522
Life annuity contract	52,132	52,132
Cash equivalents	1,554	1,264
Investment in community foundations	50,502	50,614
Total	<u>\$ 634,177</u>	<u>\$ 622,508</u>

Total investment return is comprised of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividend income	\$ 22,483	\$ 25,764
Net realized and unrealized gains (losses) on investments reported at fair value	(6,816)	36,104
Total	<u>\$ 15,667</u>	<u>\$ 61,868</u>

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following:

	<u>2011</u>	<u>2010</u>
Due within one year	\$ 756,248	\$ 711,546
Due in one to five years	678,303	1,111,567
Due in more than five years	--	--
	<u>1,434,551</u>	<u>1,823,113</u>
Less: unamortized discount	81,589	70,817
Less: allowance for uncollectible pledges	106,023	83,409
Total	<u>\$1,246,939</u>	<u>\$1,668,887</u>

Discount rates were 4.75% for 2011 and 2010 respectively.

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

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, 2011 and 2010

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, 2011 and 2010.

	2011 Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 1,554	\$ -	\$ -	\$ 1,554
Mutual funds				
Equities	166,670	-	-	166,670
Fixed income	308,319	-	-	308,319
Certificates of deposit	-	55,000	-	55,000
Life annuity contract	-	-	52,132	52,132
Community foundations	-	50,502	-	50,502
	<u>\$ 476,543</u>	<u>\$ 105,502</u>	<u>\$ 52,132</u>	<u>\$ 634,177</u>

	2010 Fair Value Measurements Using			Total Fair Value
	Level 1	Level 2	Level 3	
Money market funds	\$ 1,264	\$ -	\$ -	\$ 1,264
Mutual funds				
Equities	194,976	-	-	194,976
Fixed income	268,522	-	-	268,522
Certificates of deposit	-	55,000	-	55,000
Life annuity contract	-	-	52,132	52,132
Community foundations	-	50,614	-	50,614
	<u>\$ 464,762</u>	<u>\$ 105,614</u>	<u>\$ 52,132</u>	<u>\$ 622,508</u>

The changes in assets measured at fair value on a recurring basis using Level 3 hierarchy as of December 31, 2011 and 2010, are summarized as follows:

	2011	2010
Balance, beginning of year	\$ 52,132	\$ 52,132
Total net (loss) gain included in net income	--	--
Balance, end of year	<u>\$ 52,132</u>	<u>\$ 52,132</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

5. PROPERTY AND EQUIPMENT

Property and equipment at December 31 consists of:

	<u>2011</u>	<u>2010</u>
Land	\$ --	\$ 5,000
Buildings and leasehold improvements	2,950,203	2,960,622
Furniture and equipment	538,531	757,395
	<u>3,488,734</u>	<u>3,723,017</u>
Less accumulated depreciation	872,578	919,913
Total	<u>\$ 2,616,156</u>	<u>\$ 2,803,104</u>

6. LINE-OF-CREDIT

The Organization has a \$250,000 revolving bank line-of-credit expiring in September 2012. At December 31, 2011, \$151,033 had been borrowed and was owed against the line-of-credit. The line-of-credit is collateralized by substantially all of the Organization's assets. Interest accrues monthly on the balance at a rate of 3.5%.

7. LONG-TERM DEBT

	<u>2011</u>	<u>2010</u>
Note payable to bank due in monthly installments of \$388 including interest at 6% through August 8, 2016 at which time the remaining principal balance is due. Note is secured by certain real estate.	\$ 45,386	\$ 46,266
Total	<u>\$ 45,386</u>	<u>\$ 46,266</u>

Aggregate annual maturity requirements of long-term debt obligations at December 31, 2011 are:

	<u>Long-term Debt</u>
2012	\$ 1,974
2013	2,096
2014	2,225
2015	2,362
2016	36,729
Total	<u>\$ 45,386</u>

KANSAS BIG BROTHERS BIG SISTERS, INC.

Notes to Financial Statements

December 31, 2011 and 2010

8. NET ASSETS

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

	2011	2010
Capital reserve	\$ 12,005	\$ 2,755
Donor restricted	3,416	11,028
Contributions to be received after December 31	1,237,939	1,658,282
Total	<u>\$ 1,253,360</u>	<u>\$ 1,672,065</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.

	2011	2010
Purpose restrictions accomplished		
Capital	\$ 40,225	\$ 44,720
Time restrictions expired		
Passage of specified time	753,803	803,028
Total	<u>\$ 794,028</u>	<u>\$ 847,748</u>

Permanently restricted net assets are restricted for the following:

	2011	2010
Endowments	\$ 31,612	\$ 31,612
Endowment contributions receivable	9,000	10,950
Beneficial interest in Wichita Community Foundation	32,615	29,238
Total	<u>\$ 73,227</u>	<u>\$ 71,800</u>

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, 2011 and 2010

9. OPERATING LEASES

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

2012	\$	18,109
2013		17,297
Total	\$	<u>35,406</u>

Rent expense for all operating leases was \$140,643 and \$135,555 for the years ended December 31, 2011 and 2010, 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 \$30,310 and \$32,090 for the years ended December 31, 2011 and 2010.

11. 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, 2011 and 2010

11. 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 \$32,615 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 \$31,612 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, 2011 and 2010

11. ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of December 31, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ --	\$ 3,415	\$ 64,227	\$ 67,642
Board-designated endowment funds	125,787	--	--	125,787
Total funds	<u>\$ 125,787</u>	<u>\$ 3,415</u>	<u>\$ 64,227</u>	<u>\$ 193,429</u>

Changes in endowment net assets for the year ended December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 125,527	\$ 11,027	\$ 60,852	\$ 197,406
Contributions	--	--	3,375	3,375
Investment income	2,610	2,097	--	4,707
Net appreciation	(1,026)	(4,739)	--	(5,765)
Amounts appropriated for expenditure	(1,324)	(4,970)	--	(6,294)
Endowment net assets, end of year	<u>\$ 125,787</u>	<u>\$ 3,415</u>	<u>\$ 64,227</u>	<u>\$ 193,429</u>

12. ALLOCATION OF JOINT COSTS

The Organization conducted activities that included requests for contributions, as well as program, 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 \$373,181 and \$377,247 in 2011 and 2010, 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.

13. 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.