

# Annual Financial Report

**Best Buddies International, Inc.**  
**(A Not-for-Profit Organization)**

Miami, Florida

For the Years Ended  
December 31, 2014 and 2013

BEST BUDDIES INTERNATIONAL, INC.  
TABLE OF CONTENTS  
DECEMBER 31, 2014 AND 2013

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	6
Statements of Activities	7
Statements of Functional Expenses	8
Statements of Cash Flows	10
Notes to Financial Statements	11
OTHER REPORTS	
Report 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>	21
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i>	23
Schedule of Expenditures of Federal Awards	25
Schedule of Findings and Questioned Costs - Federal Awards Programs	26

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Best Buddies International, Inc.  
Miami, Florida

### **Report on Financial Statements**

We have audited the accompanying financial statements of Best Buddies International, Inc. (BBI), a District of Columbia not-for-profit corporation, which comprise of the statements of financial position as of December 31, 2014 and 2013 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to BBI's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BBI's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BBI as of December 31, 2014 and 2013 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.

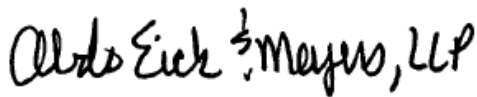
## Other Matters

### *Supplementary Information in Relation to the Financial Statements as a Whole*

Our audits were 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 is presented for the purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2015, on our consideration of BBI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 audits.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 27, 2015

## FINANCIAL STATEMENTS

BEST BUDDIES INTERNATIONAL, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,753,033	\$ 2,021,461
Investments	455,089	434,011
Accounts receivable	746,565	2,629,605
Contributions receivable, net	2,655,679	2,152,696
Grants receivable	1,462,812	1,252,696
Prepaid expenses	404,322	257,291
Security deposits	<u>21,719</u>	<u>16,989</u>
TOTAL CURRENT ASSETS	<u>9,499,219</u>	<u>8,764,749</u>
CONTRIBUTIONS RECEIVABLE, NET	<u>2,301</u>	<u>124,096</u>
PROPERTY AND EQUIPMENT		
Computers	460,645	460,645
Furniture and equipment	42,186	42,186
Auto	<u>24,000</u>	<u>24,000</u>
TOTAL PROPERTY AND EQUIPMENT, COST	526,831	526,831
LESS ACCUMULATED DEPRECIATION	<u>(522,202)</u>	<u>(511,954)</u>
TOTAL PROPERTY AND EQUIPMENT, NET	<u>4,629</u>	<u>14,877</u>
OTHER ASSETS		
Security deposits	41,023	29,077
Investments - deferred compensation plan	<u>75,408</u>	<u>72,728</u>
TOTAL OTHER ASSETS	<u>116,431</u>	<u>101,805</u>
TOTAL ASSETS	<u><u>\$ 9,622,580</u></u>	<u><u>\$ 9,005,527</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 599,154	\$ 486,664
Deferred revenue	764,227	521,991
Compensated absences payable	<u>39,977</u>	<u>23,420</u>
TOTAL CURRENT LIABILITIES	1,403,358	1,032,075
DEFERRED COMPENSATION PLAN LIABILITY	<u>75,408</u>	<u>72,728</u>
TOTAL LIABILITIES	1,478,766	1,104,803
NET ASSETS		
Unrestricted	<u>8,143,814</u>	<u>7,900,724</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 9,622,580</u></u>	<u><u>\$ 9,005,527</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

BEST BUDDIES INTERNATIONAL, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT		
UNRESTRICTED REVENUE AND GAINS		
Contributions	\$ 4,897,615	\$ 4,120,875
Government grants	4,186,384	3,323,536
Program service revenue	<u>338,357</u>	<u>317,879</u>
Total contributions, government grants and program service revenue	<u>9,422,356</u>	<u>7,762,290</u>
Fund raisers and special events revenue		
Fund raisers and special events, net of bad debt expense of \$13,618 and \$2,580 for 2014 and 2013, respectively	18,549,790	18,159,693
Less direct benefits to donors	<u>(3,247,253)</u>	<u>(2,974,005)</u>
Net fund raisers and special events revenue	<u>15,302,537</u>	<u>15,185,688</u>
In-kind contributions	215,793	168,737
Interest and dividends	34,520	27,758
Gain on sale of investments	104	891
Net appreciation (depreciation) in market value of investments	<u>(14,098)</u>	<u>36,110</u>
TOTAL UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT	<u>24,961,212</u>	<u>23,181,474</u>
EXPENSES		
Program services		
Friendship program	14,441,238	12,572,276
Jobs program	1,922,105	1,244,342
eBuddies program	<u>155,809</u>	<u>151,086</u>
Total program services	<u>16,519,152</u>	<u>13,967,704</u>
Supporting services		
Management and general	1,166,209	954,007
Fundraising	<u>7,032,761</u>	<u>7,522,413</u>
TOTAL EXPENSES	<u>24,718,122</u>	<u>22,444,124</u>
INCREASE IN NET ASSETS	243,090	737,350
NET ASSETS, JANUARY 1	<u>7,900,724</u>	<u>7,163,374</u>
NET ASSETS, DECEMBER 31	<u>\$ 8,143,814</u>	<u>\$ 7,900,724</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEST BUDDIES INTERNATIONAL, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014						
	Program Services				Supporting Services		
	Friendship Program	Jobs Program	eBuddies Program	Total Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 8,802,516	\$ 1,533,880	\$ 124,918	\$ 10,461,314	\$ 484,622	\$ 1,321,953	\$ 12,267,889
Travel	482,660	79,730	-	562,390	10,424	237,902	810,716
Supplies, printing and publications	96,585	18,592	258	115,435	3,597	31,137	150,169
Telephone	192,474	27,638	3,624	223,736	1,584	34,065	259,385
Insurance	69,214	-	-	69,214	12,264	-	81,478
Board	-	-	-	-	62,955	-	62,955
Postage and delivery	49,042	5,802	49	54,893	404	10,305	65,602
Depreciation	10,247	-	-	10,247	-	-	10,247
Grants	643,660	-	-	643,660	-	-	643,660
Public awareness	1,700,115	5,549	-	1,705,664	-	-	1,705,664
Legal and accounting	-	-	-	-	200,296	-	200,296
Memberships	8,245	9,126	-	17,371	973	6,460	24,804
Equipment	310,432	26,373	945	337,750	36,582	39,663	413,995
Rent and utilities	894,723	118,482	23,139	1,036,344	16,375	168,441	1,221,160
Leadership conference	794,756	30,031	-	824,787	-	-	824,787
Marketing	-	-	-	-	-	86,141	86,141
Credit card usage and processing fees	-	-	-	-	51,443	-	51,443
Fundraisers	-	-	-	-	-	4,835,473	4,835,473
Staff training and recruitment	194,657	44,721	1,111	240,489	86,840	20,284	347,613
Volunteer management	165,977	5,252	1,765	172,994	45	-	173,039
Bad debt	-	-	-	-	-	139,163	139,163
Other	25,935	16,929	-	42,864	197,805	101,774	342,443
Total	<u>\$ 14,441,238</u>	<u>\$ 1,922,105</u>	<u>\$ 155,809</u>	<u>\$ 16,519,152</u>	<u>\$ 1,166,209</u>	<u>\$ 7,032,761</u>	<u>\$ 24,718,122</u>

See Independent Auditor's Report and Notes to Financial Statements.



BEST BUDDIES INTERNATIONAL, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES - CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2013						
	Program Services				Supporting Services		
	Friendship Program	Jobs Program	eBuddies Program	Total Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 7,387,556	\$ 1,000,297	\$ 124,665	\$ 8,512,518	\$ 448,076	\$ 1,307,498	\$ 10,268,092
Travel	394,471	54,048	-	448,519	4,982	251,282	704,783
Supplies, printing and publications	88,022	8,892	330	97,244	4,571	28,045	129,860
Telephone	168,487	18,739	2,595	189,821	1,482	33,085	224,388
Insurance	52,310	-	-	52,310	13,259	-	65,569
Board	-	-	-	-	66,713	-	66,713
Postage and delivery	32,348	2,441	13	34,802	581	16,382	51,765
Depreciation	6,229	-	-	6,229	-	-	6,229
Grants	669,904	-	-	669,904	-	-	669,904
Public awareness	1,681,328	1,330	-	1,682,658	-	-	1,682,658
Legal and accounting	-	-	-	-	142,302	-	142,302
Memberships	6,501	7,705	-	14,206	640	8,507	23,353
Equipment	293,055	14,659	923	308,637	38,156	45,445	392,238
Rent and utilities	821,293	92,811	18,595	932,699	17,334	138,800	1,088,833
Leadership conference	618,821	2,068	771	621,660	-	-	621,660
Marketing	-	-	-	-	-	66,086	66,086
Credit card usage and processing fees	-	-	-	-	27,914	-	27,914
Fundraisers	-	-	-	-	-	5,263,723	5,263,723
Staff training and recruitment	178,288	18,884	1,792	198,964	46,133	31,388	276,485
Volunteer management	145,484	4,198	1,320	151,002	-	-	151,002
Bad debt	-	-	-	-	-	239,074	239,074
Other	28,179	18,270	82	46,531	141,864	93,098	281,493
Total	<u>\$ 12,572,276</u>	<u>\$ 1,244,342</u>	<u>\$ 151,086</u>	<u>\$ 13,967,704</u>	<u>\$ 954,007</u>	<u>\$ 7,522,413</u>	<u>\$ 22,444,124</u>

See Independent Auditor's Report and Notes to Financial Statements.

BEST BUDDIES INTERNATIONAL, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 243,090	\$ 737,350
Adjustment to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	10,247	6,229
Bad debt	139,163	241,654
(Gain) loss on sale of investments	(104)	(891)
Net (appreciation) depreciation in market value of investments	14,098	(36,110)
Change in assets and liabilities:		
Accounts receivable	1,883,040	739,223
Contributions receivable	(520,351)	(1,349,656)
Grants receivable	(210,116)	(115,716)
Prepaid expenses	(147,031)	35,183
Security deposits	(16,676)	(577)
Accounts payable	112,490	266,046
Deferred revenue	242,236	(1,067,516)
Compensated absences payable	<u>16,557</u>	<u>(1,486)</u>
 <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	 <u>1,766,643</u>	 <u>(546,267)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(79,752)	(87,267)
Proceeds from sale of investments	44,681	681,925
Purchase of computers, furniture and equipment	<u>-</u>	<u>(11,574)</u>
 <b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	 <u>(35,071)</u>	 <u>583,084</u>
 <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 1,731,572	 36,817
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>	<u>2,021,461</u>	<u>1,984,644</u>
 <b>ENDING CASH AND CASH EQUIVALENTS</b>	 <u><u>\$ 3,753,033</u></u>	 <u><u>\$ 2,021,461</u></u>
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>		
Cash paid during the year for:		
Interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Income taxes	 <u><u>\$ -</u></u>	 <u><u>\$ -</u></u>
 <b>SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS</b>		
Receipt of donated facilities and services through in-kind contributions	<u><u>\$ 215,793</u></u>	<u><u>\$ 168,737</u></u>

See Independent Auditor's Report and Notes to Financial Statements.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Organization**

Best Buddies International, Inc. (BBI) is an international not-for-profit, non-sectarian, volunteer-based corporation started in 1989 under the laws of Washington, D.C., which organizes chartered chapters on college and university campuses to provide socialization opportunities between college students and persons with intellectual and developmental disabilities. In 1993, the Best Buddies Citizens program was created. It is similar to the college program, seeking to secure friendships with working citizens and individuals with intellectual and developmental disabilities. Best Buddies High Schools began in 1995. Its premise is the same as the college and citizens programs, with a target base of high school students. eBuddies, an e-mail friendship program for people with and without intellectual and developmental disabilities, was launched in 1999. Best Buddies Middle Schools, a program similar to high schools, was created in 2000. Best Buddies Jobs (BBJ), which became a division of BBI on December 31, 2005, was formed as an employment program securing competitive paying jobs for people with intellectual and developmental disabilities. In 2010, the Buddy Ambassadors program was created to educate and empower people with intellectual and developmental disabilities to be leaders and public speakers in their schools, communities and workplace. In 2012, Best Buddies Promoters was created to empower youth to become advocates for people with intellectual and developmental disabilities. Students who take part in Best Buddies Promoters will be successfully introduced to the disability rights movement and the importance of the inclusion revolution through local awareness events.

BBI has accredited programs in 50 countries among six continents throughout the world. These programs are established as separate entities and are operated within the laws and regulations of the country in which they operate. They are organized to follow the mission and vision of BBI and in exchange are allowed to use proprietary branding and receive support and direction from the United States headquarters.

**B. Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when a liability is incurred. Contributions received are recorded as an increase in unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Accordingly, net assets of BBI and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets are those resources over which BBI has discretionary control. Designated amounts represent revenues that the Board of Directors has set aside for a particular purpose.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those resources subject to donor imposed restrictions, which will be satisfied by actions of BBI or passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets are those resources subject to donor imposed restrictions that they be maintained permanently by BBI. There were no permanently restricted net assets at December 31, 2014 and 2013.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**C. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**D. Cash and Cash Equivalents**

For purposes of the statements of cash flows, all highly liquid investments with a maturity of three months or less are considered to be cash equivalents.

**E. Investments**

BBI reports its investments in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC Topic 820 provides guidance for accounting for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Donated investments are recorded at fair value on the date of donation and sold upon receipt. See Note 2, Fair Value Investments for amounts recorded in 2014 and 2013.

**F. Accounts Receivable**

Accounts receivable consists primarily of amounts due from an affiliate as discussed in Note 4 and other miscellaneous receivables.

**G. Contributions Receivable**

Contributions are recognized when a donor makes an unconditional promise to give to BBI. Contributions receivable consists primarily of donations from special events at December 31, 2014 and 2013.

**H. Grants Receivable**

Grant revenue is recognized when the program service is performed. Grants receivable consists primarily of amounts due from grantors for program services rendered.

**I. Allowance for Doubtful Accounts**

Accounts receivable, contributions receivable and grants receivable (receivables) are reported on the Statement of Financial Position net of the allowance for doubtful accounts. Receivables, when deemed to have potential collectability issues, are charged with a provision for doubtful accounts, which is based on experience and on any unusual circumstance known that may affect the collectability of an account. When accounts are deemed to be uncollectible, they are charged against bad debt expense.

During 2014 and 2013, certain accounts were determined to be uncollectible and written off to bad debt expense totaling \$139,163 and \$239,074, respectively. All accounts receivable and grants receivable are deemed collectible and, as a result, no allowance has been recorded at year end. Certain contributions receivable have been deemed uncollectible and an allowance has been recorded as described in Note 3.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**J. Prepaid Expenses**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements.

Prepaid expenses consist of the following at December 31, 2014 and 2013:

	2014	2013
Special events	\$ 71,777	\$ 55,975
Rent and office expenses	94,603	85,029
Insurance premiums	124,840	73,871
Annual conference	108,630	-
Other prepaid expenses	4,472	42,416
Total	<u>\$ 404,322</u>	<u>\$ 257,291</u>

**K. Security Deposits**

Security deposits consist of amounts deposited with lessors to be held as security for the performance of the lease agreement.

**L. Property and Equipment**

Computers, furniture and equipment, and automobiles with an initial cost of \$5,000 or more are reported on the Statement of Financial Position and are stated at cost. Purchases of computers and equipment of less than \$5,000 are expensed immediately. Depreciation is determined using the straight-line method with five year recovery periods.

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts and the resulting gain or loss is recognized in income. Repairs and maintenance are charged to expense as incurred. Renewals and improvements that extend the useful lives of assets are capitalized and depreciated over future periods.

**M. Deferred Revenue**

Deferred revenue consists of payments received in advance that relate to program services to be rendered in a future period or special events that are to be held in a future period and are deferred and recognized as revenue in the period earned. Deferred revenue does not represent total grant values. All deferred revenue is classified as current and will be recognized over the next year.

**N. Concentration of Credit Risk**

BBI maintains cash in bank deposit accounts at high credit quality financial institutions. The balances, at times, may exceed federally insured limits.

**O. Functional Allocation of Expenses**

The costs of providing BBI's various programs have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**P. Income Taxes**

BBI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Contributions to BBI are tax deductible as BBI qualifies under section 170(c) of the Internal Revenue Code. BBI is listed in Publication 78 (Cumulative List of Organizations Described in section 170(c)), published by the Internal Revenue Service.

During the years ended December 31, 2014 and 2013, BBI has not incurred any interest or penalties on its tax returns. BBI's tax returns are subject to possible examination by the taxing authorities. For federal tax purposes the tax returns essentially remain open for possible examination for period of three years after the date on which those returns are filed.

**Q. Advertising**

BBI expenses advertising costs as incurred. BBI incurred advertising expenses as part of their fund raising events during 2014 and 2013. Advertising expense during 2014 and 2013 was \$439,590 and \$473,873, respectively, and is shown as part of expenses for fund raisers on the Statement of Functional Expenses.

**R. Subsequent Events**

In preparing these financial statements, BBI has evaluated events and transactions for potential recognition or disclosure through March 27, 2015, the date the financial statements were available to be issued.

**Note 2: FAIR VALUE INVESTMENTS**

BBI has adopted ASC Topic 820, *Fair Value Measurements and Disclosures*. ASC Topic 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. It emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that the market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value, as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that BBI has the ability to access.

Level 2 – Inputs that included quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the assets or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls into is based on the lowest level input that is significant to the fair value measurement in its entity.

BBI also has adopted ASC Topic 825, *Financial Instruments*. ASC Topic 825 allows entities the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities that are not otherwise required to be stated at fair value, on a contract-by-contract basis. BBI has not elected to change the measurement of any existing financial instruments at fair value. However, BBI may elect to measure newly acquired financial instruments at fair value in the future.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 2: FAIR VALUE INVESTMENTS - CONTINUED**

Financial assets and liabilities recorded at fair value on a recurring basis are as follows:

	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2014:			
Mutual funds			
U.S. equities	\$ 232,579	\$ -	\$ -
Non U.S. equities	85,391	-	-
Fixed income	75,555	-	-
Non-classified	19,874	-	-
Cash and cash alternatives	41,690	-	-
Total mutual funds	<u>455,089</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 455,089</u>	<u>\$ -</u>	<u>\$ -</u>
	Quoted prices in active markets for identical assets/liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
2013:			
Mutual funds			
U.S. equities	\$ 208,584	\$ -	\$ -
Non U.S. equities	104,035	-	-
Fixed income	75,079	-	-
Non-classified	8,335	-	-
Cash and cash alternatives	37,978	-	-
Total mutual funds	<u>434,011</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 434,011</u>	<u>\$ -</u>	<u>\$ -</u>

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 3: CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at December 31, 2014 and 2013:

	2014	2013
In less than one year	\$ 2,728,679	\$ 2,239,997
In one to five years	<u>6,000</u>	<u>129,000</u>
Total contributions receivable	2,734,679	2,368,997
Less allowance for doubtful accounts	(73,000)	(86,000)
Less unamortized discount net contributions receivable	<u>(3,699)</u>	<u>(6,205)</u>
Net contributions receivable	<u><u>\$ 2,657,980</u></u>	<u><u>\$ 2,276,792</u></u>

Contributions receivable are net of unamortized present value discount calculated using a risk-adjusted rate. This rate is based on the risk-free rate of return as determined on the date of the contribution, which approximates U.S. Treasury yield curve rates, and an additional risk premium for general market risk. In calculating the additional risk premium, management has considered the creditworthiness of donors, the donor's prior collection history, BBI's ability to enforce the commitments and other factors based on the circumstances.

**Note 4: RELATED PARTIES**

BBI and Best Buddies Supporting Corporation, Inc. (BBSC) are two separate and distinct corporations with separate Boards of Directors, which are being managed under the same organizational structure. During 2014 and 2013, BBI and BBSC shared office space, office expenses and management.

Shriver Art, which is related in ownership with a director of BBI, is an art and business consulting corporation that has direct involvement in special projects such as the End the Word Campaign and website design. Shriver Art also contributes to BBI's marketing materials, photo promotions and, in a volunteer capacity, is auction chair for BBI's single largest auction in the country.

The related party transactions for BBI as of December 31, 2014 and 2013 are as follows:

	2014	2013
	<u>Due from</u>	<u>Due from</u>
BBSC	\$ 631,484	\$ 2,498,312
Shriver Art	<u>16,306</u>	<u>14,239</u>
Total	<u><u>\$ 647,790</u></u>	<u><u>\$ 2,512,551</u></u>

At December 31, 2014 and 2013, BBSC made up approximately 85 and 95 percent of BBI's total accounts receivable balance, respectively.



BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 4: RELATED PARTIES - CONTINUED**

Amounts paid during 2014 and 2013 for office expenses were as follows:

	2014	2013
Paid by BBI for BBSC	\$ 69,492	\$ 39,461
Paid by BBI for Shriver Art	82,798	78,359
Total	<u>\$ 152,290</u>	<u>\$ 117,820</u>

Cash transfers during 2014 and 2013 were as follows:

	2014	2013
To BBSC	<u>\$ 283,308</u>	<u>\$ 339,212</u>

**Note 5: OPERATING LEASES**

BBI is obligated under several leases for office space in numerous states and is obligated under various other leases for equipment. These leases are included in the aggregate future minimum lease payment schedule below.

Rent expense including utilities for 2014 and 2013 was \$1,221,160 and \$1,088,833, respectively, including in-kind rent of \$84,153 and \$87,305, respectively.

The aggregate future minimum lease payments are as follows:

Year	Amount
2015	\$ 975,087
2016	450,991
2017	331,873
2018	91,001
2019	52,796
Total	<u>\$ 1,901,748</u>

**Note 6: DONATED SERVICES**

During the years ended December 31, 2014 and 2013, BBI received donated legal services for the legal expenses of the organization. The value of these services was based on an evaluation of the market value of such services, as prepared by BBI's attorney. Donated legal services for the years ended December 31, 2014 and 2013 totaled \$131,131 and \$81,432, respectively. These donated services are offset by a portion of the legal and accounting expenses on the financial statements.

In addition, BBI receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort under ASC Subtopic 958-605 *Not-for-Profit Entities Revenue Recognition* have not been satisfied.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 7: IN-KIND CONTRIBUTIONS AND EXPENSES**

BBI's in-kind contributions are made up of contributed office space. The value of these contributions was based on an evaluation of the market value of rent in their respective areas, as prepared by BBI's State Directors. The in-kind contribution is offset by a portion of the rent and utilities expense on the financial statements.

In-kind contributions of office space for the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
Texas	\$ 11,197	\$ 6,103
Tennessee	-	11,700
New York	73,465	69,502
Total	<u>\$ 84,662</u>	<u>\$ 87,305</u>

**Note 8: ALLOCATION OF JOINT COSTS**

In 2014 and 2013, BBI conducted activities that included requests for contributions, as well as program components. Those activities included special events. For the years ended December 31, 2014 and 2013, the costs of conducting those activities included a total of \$6,436,358, and \$6,883,318, respectively, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	2014	2013
Fundraising	\$ 4,835,473	\$ 5,263,723
Friendship program	1,600,885	1,619,595
Total joint costs	<u>\$ 6,436,358</u>	<u>\$ 6,883,318</u>

**Note 9: RETIREMENT PLANS**

In April 2006, BBI implemented a 401(k) plan (the Plan) which will cover substantially all full-time employees who meet certain eligibility requirements. Employees who are eligible for the Plan can make elective salary deferrals up to a maximum of 100 percent of compensation. The Plan allows for discretionary matching contributions by the employer. The amounts contributed as matching contributions for the years ended December 31, 2014 and 2013 were \$115,279 and \$91,103, respectively. The Plan is intended to be a qualified plan under Title 1 of the Employee Retirement Income Security Act of 1974 (ERISA).

BBI also provides a Deferred Compensation Plan (DC Plan) for certain employees in accordance with Internal Revenue Code 457(b). The DC Plan permits participants to defer a portion of their salaries until future years. The DC Plan also allows for BBI to make discretionary contributions on behalf of participants who meet the eligibility criteria. The DC Plan assets are not available to the participants until termination, retirement, death or for an unforeseeable emergency. Amounts under the DC Plan are solely the property and right of BBI until paid or otherwise made available to employees or their beneficiaries. The DC Plan assets are also subject to the claims of BBI's creditors. BBI's contributions to the DC Plan on behalf of participants was \$0 for the years ended December 31, 2014 and 2013. There were no employee deferrals into the DC Plan for 2014 and 2013. Aggregate balances in deferred compensation totaled \$75,408 and \$72,728 at December 31, 2014 and 2013, respectively.

BEST BUDDIES INTERNATIONAL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013

**Note 10: COMPENSATED ABSENCES**

In general, employees of BBI are not entitled to accumulate earned but unused vacation pay benefits, unless specifically required under state law. The states which require BBI to accumulate earned but unused vacation pay benefits are California, Illinois, Iowa, Louisiana and Massachusetts. As of December 31, 2014 and 2013, the compensated absences payable was \$39,977 and \$23,420, respectively

**Note 11: INSURANCE**

The entity entered into a stop-loss insurance agreement with an insurance company to limit its losses on individual claims. Stop-loss insurance premiums of approximately 290,528 are included in health care costs in 2014. Approximately 226,684 in stop-loss recoveries are not included in the health care costs in 2014.

## OTHER REPORTS

REPORT 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  
Best Buddies International, Inc.  
Miami, Florida

We have audited, in accordance with the 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, the financial statements of Best Buddies International, Inc. (BBI), a District of Columbia not-for-profit corporation, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2015.

**Internal Control over Financial Reporting**

Management of BBI is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered BBI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BBI's internal control. Accordingly, we do not express an opinion on the effectiveness of BBI's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

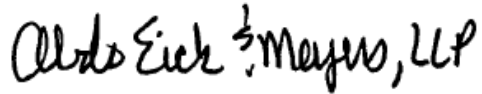
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether BBI'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*.

## Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BBI's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BBI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 27, 2015

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY *OMB CIRCULAR A-133*

Board of Directors  
Best Buddies International, Inc.  
Miami, Florida

**Report on Compliance for Each Major Federal Program**

We have audited Best Buddies International, Inc. (BBI) , (a District of Columbia not-for-profit corporation), compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of BBI's major federal programs for the years ended December 31, 2014. BBI's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs – Federal Awards Programs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of BBI's major federal programs based on our audit of the types of compliance requirements referred to above. 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 BBI'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 on compliance for each major federal program. However, our audit does not provide a legal determination of BBI's compliance.

***Opinion on Each Major Federal Program***

In our opinion, BBI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

## Report on Internal Control Over Compliance

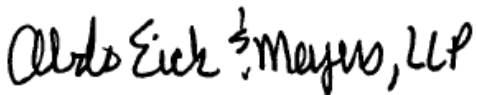
Management of BBI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BBI's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 BBI'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 over compliance, 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 27, 2015



BEST BUDDIES INTERNATIONAL, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

State Agency, Program Title and Pass-through Entity	Federal Domestic Assistance Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
<b>Federal Expenditures</b>				
<b><i>U.S. Department of Housing and Urban Development</i></b>				
Community Development Block Grants				
Indirect Programs				
City of Waterbury, Connecticut		\$ -	\$ 5,315	\$ 5,315
City of Hartford, Connecticut		-	3,573	3,573
Total Community Development Block Grants	14.218	-	8,888	8,888
<i>Total U.S. Department of Housing and Urban Development</i>		-	8,888	8,888
<b><i>U.S. Department of Education</i></b>				
Special Education Grants to States				
Indirect Programs				
Arizona Department of Education		-	90,624	90,624
School Board of Miami-Dade County, Florida		-	72,500	72,500
Indiana Department of Education		-	-	-
New Mexico Regional Education Cooperative #7		-	188,893	188,893
Maryland Department of Education		-	95,196	95,196
<i>Total U.S. Department of Education</i>	84.027	-	447,213	447,213
<b><i>U.S. Department of Health and Human Services</i></b>				
Developmental Disabilities Basic Support and Advocacy Grants				
Indirect Programs				
Department for Mental Health, Developmental Disabilities and Addiction Services	93.630	-	17,711	17,711
Total Disabilities Basic Support and Advocacy Grant		-	17,711	17,711
Child Abuse and Neglect Discretionary Activities Grants				
Indirect Programs				
Wisconsin Milwaukee Department of Health and Human Services	93.670	-	30,000	30,000
Total Child Abuse and Neglect Discretionary Activities Grant		-	30,000	30,000
<i>Total U.S. Department of Health and Human Services</i>		-	47,711	47,711
Total Federal Expenditures		\$ -	\$ 503,812	\$ 503,812

Note A - Basis of Presentation: The accompanying schedule of expenditures of state awards is prepared on the accrual basis of accounting.

Note B - Subrecipients - No state expenditures presented in this schedule were provided to subrecipients.

BEST BUDDIES INTERNATIONAL, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -  
FEDERAL AWARDS PROGRAMS  
FOR THE YEAR ENDED DECEMBER 31, 2014

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Federal Single Audit Act?	No

**Federal  
CFDA  
Number**

Identification of Major Programs/Projects:

Federal Programs:	
Special Education Grants to States	84.027
Dollar threshold used to distinguish between Type A and Type B Programs:	\$ 300,000
Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	No

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There are no significant deficiencies, material weaknesses, or instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards.

**SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with Circular A-133.

**OTHER ISSUES**

The Summary Schedule of Prior Audit Findings is not included in this report because there were no prior audit findings related to federal award programs.

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.