

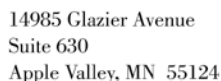
BEST BUDDIES INTERNATIONAL, INC.
(A NOT-FOR-PROFIT ORGANIZATION)

ANNUAL FINANCIAL REPORT

YEARS ENDED
DECEMBER 31, 2010 AND 2009

BEST BUDDIES INTERNATIONAL, INC.
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Board of Directors
Best Buddies International, Inc.
Miami, Florida

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 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 BBI as of December 31, 2010 and 2009 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, 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.

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.

Aldo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,289,509	\$ 3,159,555
Investments	855,540	793,592
Accounts receivable	271,106	62,099
Contributions receivable	861,365	882,561
Grants receivable	1,123,182	1,194,285
Donated assets held for sale	-	105,000
Prepaid expenses	<u>327,964</u>	<u>218,456</u>
TOTAL CURRENT ASSETS	<u>6,728,666</u>	<u>6,415,548</u>
INVESTMENTS - DEFERRED COMPENSATION PLAN	<u>57,989</u>	<u>50,735</u>
FIXED ASSETS		
Computers	460,645	460,645
Furniture and equipment	15,462	15,462
Auto	24,000	24,000
Less accumulated depreciation	<u>(495,707)</u>	<u>(490,907)</u>
NET FIXED ASSETS	<u>4,400</u>	<u>9,200</u>
TOTAL ASSETS	<u><u>\$ 6,791,055</u></u>	<u><u>\$ 6,475,483</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 436,766	\$ 210,331
Deferred revenue	475,695	398,961
Compensated absences payable	<u>17,309</u>	<u>18,477</u>
TOTAL CURRENT LIABILITIES	<u>929,770</u>	<u>627,769</u>
DEFERRED COMPENSATION PLAN LIABILITY	<u>57,989</u>	<u>50,735</u>
TOTAL LIABILITIES	<u>987,759</u>	<u>678,504</u>
NET ASSETS		
Unrestricted	<u>5,803,296</u>	<u>5,796,979</u>
TOTAL NET ASSETS	<u>5,803,296</u>	<u>5,796,979</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,791,055</u></u>	<u><u>\$ 6,475,483</u></u>

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

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT		
UNRESTRICTED REVENUE AND GAINS		
Contributions	\$ 3,114,657	\$ 2,730,099
Grants	3,847,632	4,179,075
Fund raisers and special events, net of bad debt expense of \$27,744 and \$131,434 for 2010 and 2009, respectively	12,013,054	10,550,329
In-kind contributions	169,895	177,262
Best Buddies Jobs, Inc.	563,295	394,552
Interest and dividends	35,118	39,806
Loss on sale of investments	(48)	(43)
Loss on the disposal of donated assets held for sale	(40,000)	-
Net appreciation in market value of investments	38,136	92,428
	<u>19,741,739</u>	<u>18,163,508</u>
TOTAL UNRESTRICTED REVENUE AND GAINS	19,741,739	18,163,508
NET ASSETS RELEASED FROM RESTRICTIONS		
Restrictions satisfied by meeting donor restrictions	<u>-</u>	<u>500,000</u>
	<u>19,741,739</u>	<u>18,663,508</u>
TOTAL UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT	19,741,739	18,663,508
EXPENSES		
Program	10,526,652	10,452,299
Management	697,782	666,268
Fundraising	8,510,988	6,950,776
	<u>19,735,422</u>	<u>18,069,343</u>
TOTAL EXPENSES	19,735,422	18,069,343
INCREASE IN UNRESTRICTED NET ASSETS	<u>6,317</u>	<u>594,165</u>
TEMPORARILY RESTRICTED NET ASSETS		
Net assets released from restrictions	<u>-</u>	<u>(500,000)</u>
	<u>-</u>	<u>(500,000)</u>
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(500,000)
INCREASE IN NET ASSETS	6,317	94,165
NET ASSETS, JANUARY 1	<u>5,796,979</u>	<u>5,702,814</u>
NET ASSETS, DECEMBER 31	<u>\$ 5,803,296</u>	<u>\$ 5,796,979</u>

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

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			
	Program	Management	Fundraising	Total
Salaries and benefits	\$ 6,792,607	\$ 326,506	\$ 1,052,905	\$ 8,172,018
Travel	410,162	8,452	190,713	609,327
Supplies, printing and publications	121,797	4,448	29,737	155,982
Telephone	162,982	1,450	27,307	191,739
Insurance	47,156	1,200	-	48,356
Board	-	31,508	-	31,508
Postage and delivery	40,792	543	8,675	50,010
Depreciation	4,800	-	-	4,800
Grants	27,155	-	-	27,155
Public awareness	423,310	-	-	423,310
Legal and accounting	-	103,594	-	103,594
Memberships	10,272	18,796	5,308	34,376
Equipment	289,253	37,697	45,113	372,063
Rent and utilities	775,016	12,814	57,032	844,862
Leadership conference	350,687	-	-	350,687
Marketing	-	-	39,603	39,603
Credit card usage and processing fees	-	30,689	-	30,689
Fundraisers	-	-	6,972,503	6,972,503
Newsletter	7,181	-	-	7,181
Staff training and recruitment	143,067	26,290	2,695	172,052
Best Buddies Jobs, Inc.	675,321	1,970	-	677,291
eBuddies	105,711	105	-	105,816
Volunteer management	131,759	-	-	131,759
Other	7,624	91,720	79,397	178,741
Total	<u>\$ 10,526,652</u>	<u>\$ 697,782</u>	<u>\$ 8,510,988</u>	<u>\$ 19,735,422</u>

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

	2009			
	Program	Management	Fundraising	Total
Salaries and benefits	\$ 6,595,564	\$ 289,129	\$ 469,272	\$ 7,353,965
Travel	356,678	3,236	152,116	512,030
Supplies, printing and publications	117,459	1,102	28,093	146,654
Telephone	177,160	1,815	21,024	199,999
Insurance	54,774	12,281	-	67,055
Board	-	18,420	-	18,420
Postage and delivery	43,293	405	7,794	51,492
Depreciation	4,800	-	-	4,800
Grants	56,710	-	-	56,710
Public awareness	289,428	-	-	289,428
Legal and accounting	-	135,633	-	135,633
Memberships	6,319	462	3,995	10,776
Equipment	275,723	24,388	31,686	331,797
Rent and utilities	902,964	17,301	42,351	962,616
Leadership conference	399,262	-	-	399,262
Marketing	-	-	97,696	97,696
Credit card usage and processing fees	-	38,243	-	38,243
Fundraisers	-	-	6,021,142	6,021,142
Newsletter	20,269	-	-	20,269
Staff training and recruitment	162,579	33,992	2,146	198,717
Best Buddies Jobs, Inc.	628,695	1,965	7,559	638,219
eBuddies	211,296	-	-	211,296
Volunteer management	133,494	-	-	133,494
Other	15,832	87,896	65,902	169,630
Total	<u>\$ 10,452,299</u>	<u>\$ 666,268</u>	<u>\$ 6,950,776</u>	<u>\$ 18,069,343</u>

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 6,317	\$ 94,165
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	4,800	4,800
Bad debt	27,744	131,434
Loss on sale of investments	48	43
Loss on the disposal of donated assets held for sale	40,000	-
Net appreciation in market value of investments	(38,136)	(92,428)
(Increase) decrease in assets:		
Accounts receivable	(209,007)	43,327
Contributions receivable	(6,548)	220,620
Grants receivable	71,103	330,136
Prepaid expenses	(109,508)	75,415
Increase (decrease) in liabilities:		
Accounts payable	226,435	(172,673)
Deferred revenue	76,734	(38,820)
Compensated absences payable	(1,168)	(11,415)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>88,814</u>	 <u>584,604</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(39,066)	(25,298)
Proceeds from sale of investments	15,206	2,080
Proceeds from sale of donated assets held for sale	65,000	-
 NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	 <u>41,140</u>	 <u>(23,218)</u>
 INCREASE IN CASH AND CASH EQUIVALENTS	 129,954	 561,386
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>3,159,555</u>	<u>2,598,169</u>
 CASH AND CASH EQUIVALENTS, DECEMBER 31	 <u><u>\$ 3,289,509</u></u>	 <u><u>\$ 3,159,555</u></u>
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
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>

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

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

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, 2010 and 2009

C. 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.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. 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 2010 and 2009.

E. Accounts Receivable

Accounts receivable consists primarily of amounts due from an affiliate as discussed in Note 3 and other miscellaneous receivables.

F. 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.

G. 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.

H. 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 2010 and 2009, certain accounts were determined to be uncollectible and written off to bad debt expense totaling \$27,744 and \$131,434, respectively. All other accounts were deemed collectible and, as a result, no allowance has been recorded at year end.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

I. 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, 2010 and 2009:

	2010	2009
Special events	\$ 116,405	\$ 20,474
Rent and office expenses	82,540	82,591
Insurance premiums	101,358	78,236
Other prepaid expenses	27,661	37,155
	<u>\$ 327,964</u>	<u>\$ 218,456</u>

J. Fixed Assets

Computers, furniture and equipment, and automobiles with an initial cost of \$5,000 or more are reported on the balance sheets 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.

K. 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.

L. 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.

M. 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, 2010 and 2009, 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.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

N. 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.

O. 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.

P. Advertising

BBI expenses advertising costs as incurred. BBI incurred advertising expenses as part of their fund raising events during 2010 and 2009. Advertising expense during 2010 and 2009 was \$393,586 and \$219,737, respectively, and is shown as part of expenses for fund raisers on the statements of functional expenses.

Q. Valuation of Donated Assets Held for Sale

Any donated assets held for sale are valued at their approximate fair market value.

R. Subsequent Events

In preparing these financial statements, BBI has evaluated events and transactions for potential recognition or disclosure through March 18, 2011, 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.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 2: FAIR VALUE INVESTMENTS - CONTINUED

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.

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

	2010	2009
Assets, Investments		
Level 1	\$ 855,540	\$ 793,592
Level 2	-	-
Level 3	-	-
	<u> </u>	<u> </u>
Total	<u>\$ 855,540</u>	<u>\$ 793,592</u>

Investments, which are made up of mutual funds at December 31, 2010 and 2009, are as follows:

	2010	2009
Unrestricted investments		
Mutual funds		
Cost	\$ 856,856	\$ 843,417
Net unrealized gain (loss)	<u>(1,316)</u>	<u>(49,825)</u>
	<u> </u>	<u> </u>
Market value of mutual funds	<u>\$ 855,540</u>	<u>\$ 793,592</u>

Note 3: 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 2010 and 2009, 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, 2010 and 2009 are as follows:

	2010		2009	
	Due from	Due to	Due from	Due to
BBSC	\$ 156,984	\$ 80	\$ 2,907	\$ 66
Shriver Art	<u>8,294</u>	<u>-</u>	<u>3,770</u>	<u>4,027</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 165,278</u>	<u>\$ 80</u>	<u>\$ 6,677</u>	<u>\$ 4,093</u>

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 3: RELATED PARTIES - CONTINUED

Amounts paid during 2010 and 2009 for office expenses were as follows:

	2010	2009
Paid by BBI for BBSC	\$ 38,259	\$ 27,419
Paid by BBI for Shriver Art	35,982	9,545
Total	<u>\$ 74,241</u>	<u>\$ 36,964</u>

Cash transfers during 2010 and 2009 were as follows:

	2010	2009
From BBSC	\$ -	\$ 275,500
To BBSC	<u>\$ 241,960</u>	<u>\$ 335,890</u>

Note 4: OPERATING LEASES

BBI is obligated under several leases for office space as follows:

Miami, FL - Lease commenced April 2005 and will expire March 2011. Monthly rent is \$26,956 per month plus BBI's share of operating costs for the term of the lease. The monthly rent will increase to \$27,495 after 24 months; \$28,035 after the 36th month; \$28,574 after the 48th month; and \$29,113 after the 60th month. The lease was amended September 1, 2010 and runs through October 31, 2015. Monthly rent is \$30,191 per month plus BBI's share of operating costs for the term of the lease. The monthly rent will increase to \$31,097 after 12 months; increase to \$32,035 after the 24th month; increase to \$32,994 after the 36th month; and increase to \$33,986 after the 48th month.

Philadelphia, PA - Original lease commenced May 1, 1995 and ran through April 30, 1997 in the amount of \$583 plus the pro-rata share of maintenance charges each month. The lease was renewed on January 1, 2003 and ran through December 31, 2008. The lease was renewed November 15, 2008 and runs through November 14, 2011 with monthly payments of \$1,200 plus the pro-rata share of maintenance charges each month.

Boston, MA - Original lease commenced August 19, 2003 and expired on August 31, 2008. Terms of the lease agreement were monthly lease payments of \$3,816 plus BBI's share of operating costs for the term of the lease. The lease was renewed on September 1, 2008 and expires on August 31, 2013. The lease stipulates monthly rent in the amount of \$4,050 through August 2009, \$4,219 through August 2010, \$4,388 through August 2011, \$4,556 through August 2012, and \$4,725 through August 2013 plus BBI's share of operating costs for the term of the lease.

Los Angeles, CA - Original lease commenced March 1, 2006 and will expire on February 28, 2011. Terms of the lease agreement are monthly lease payments of \$4,412 through February 29, 2008, \$4,541 through February 28, 2009, \$4,671 through February 28, 2010 and \$4,801 through February 28, 2011. The lease was amended on January 1, 2011 and runs through December 31, 2012. Terms of the lease agreement are monthly lease payments of \$2,084 through December 31, 2011 and \$2,222 through December 31, 2012.

Tampa, FL - Original lease for office space commenced September 1, 2007 and runs through December 2012. The lease stipulates monthly rent in the amount of \$815 through December 2007, \$1,816 through December 2008, \$1,875 through December 2009, \$1,935 through December 2010, \$1,994 through December 2011 and \$2,053 through December 2012.

Baton Rouge, LA - The lease commenced on July 15, 2007 and runs through July 14, 2010. Terms of the lease agreement are monthly lease payments of \$900. The lease was not renewed and the office was closed in July 2010.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 4: OPERATING LEASES - CONTINUED

Las Vegas, NV – Original lease commenced on January 1, 2009 and expired on December 31, 2009. Terms of the lease agreement were monthly lease payments of \$2,100. The lease was renewed January 1, 2010 and runs through December 31, 2010 with monthly lease payments of \$1,200. The lease was renewed on January 1, 2011 and runs through December 31, 2011 with monthly lease payments of \$1,200.

Baltimore, MD – The lease commenced on January 1, 2008 and expired on December 31, 2009. Terms of the lease agreement were monthly lease payments of \$1,949 through December 2008 and \$2,133 through December 2009. The lease was renewed on February 1, 2010 and runs through January 31, 2012. Terms of the lease agreement are monthly lease payments of \$1,675 plus the pro rata share of utilities and operating expenses through January 31, 2011 and \$1,775 plus the pro rata share of utilities and operating expenses through January 31, 2012.

Falls Church, VA – The lease commenced on November 1, 2007 and runs through October 31, 2010. Terms of the lease agreement are monthly lease payments of \$1,200 through October 2008, \$1,272 through October 2009, and \$1,348 through October 2010. The lease was renewed on November 1, 2010 and runs through October 31, 2013. Terms of the lease agreement are monthly lease payments of \$1,374 through October 2011, \$1,416 through October 2012 and \$1,473 through October 2013.

Jacksonville, FL – The original lease commenced on April 1, 2008 and expired March 31, 2009. The lease was amended on August 1, 2010 and runs through January 31, 2013. Terms of the lease agreement are monthly lease payments of \$950.

Oakland Park, FL – The lease commenced on July 1, 2009 and runs through June 30, 2011. Terms of the lease agreement are monthly lease payments of \$1,172.

North Haven, CT – The lease commenced on September 1, 2008 and runs through December 31, 2011. Terms of the lease agreement are monthly lease payments of \$1,220 through December 2008, \$1,400 through June 2010, and \$1,470 through December 2011.

Wilmington, DE – The lease commenced on June 1, 2008 and runs through May 31, 2011. Terms of the lease agreement are monthly lease payments of \$1,154.

Orlando, FL – The lease commenced on April 1, 2009 and runs through March 31, 2010. Terms of the lease agreement are monthly lease payments of \$1,400. Subsequent to December 31, 2010 the lease was renewed to commence on April 1, 2011 and runs through March 31, 2014. Terms of the lease agreement under the renewal are monthly lease payments of \$1,450 with a 3% increase on April 1, 2012 and again on April 1, 2013.

Phoenix, AZ – The lease commenced on January 1, 2009 and runs through December 31, 2013. Terms of the lease agreement are monthly lease payments of \$2,000 plus applicable sales tax through December 31, 2009 and \$2,100 plus applicable sales tax through December 31, 2013.

Indianapolis, IN – The lease commenced on January 1, 2009 and runs through March 31, 2012. Terms of the lease agreement are monthly lease payments of \$0 for the 1st through the 3rd month, \$1,799 for the 4th through the 12th month, \$1,827 for the 13th through the 24th month and \$1,855 for the 25th through the 39th month.

BBI is also obligated under various other leases for office space and equipment for lesser amounts that are not listed separately above. These leases are included in the aggregate future minimum lease payment schedule below.

Rent expense including utilities for 2010 and 2009 was \$844,862 and \$962,616, respectively.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 4: OPERATING LEASES - CONTINUED

The aggregate future minimum lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 711,078
2012	593,327
2013	473,291
2014	403,726
2015	<u>273,486</u>
Total	<u><u>\$ 2,454,908</u></u>

Note 5: DONATED SERVICES

During the year ended December 31, 2010, 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, 2010 and 2009 totaled \$44,444 and \$56,656, 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.

Note 6: 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 the 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 space are as follows:

	<u>2010</u>	<u>2009</u>
District of Columbia	\$ 66,375	\$ 67,830
Texas	12,600	12,600
Illinois	40,176	40,176
Tennessee	<u>6,300</u>	<u>-</u>
Total	<u><u>\$ 125,451</u></u>	<u><u>\$ 120,606</u></u>

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

Note 7: 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, 2010 and 2009 was \$81,762 and \$46,996, 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 were \$0 for the years ended December 31, 2010 and 2009. There were no employee deferrals into the DC Plan for 2010 or 2009. Aggregate balances in deferred compensation totaled \$57,989 and \$50,735 at December 31, 2010 and 2009, respectively.

Note 8: 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, 2010 and 2009 the compensated absences payable was \$17,309 and \$18,477, respectively.

OTHER REPORTS



14985 Glazier Avenue
Suite 630
Apple Valley, MN 55124

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 the financial statements of Best Buddies International, Inc. (BBI), a District of Columbia not-for-profit corporation, as of and for the year ended December 31, 2010, and have issued our report thereon dated March 18, 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 BBI's internal control over financial reporting as a basis of 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 BBI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BBI'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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant 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 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*.

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

March 18, 2011
Apple Valley, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants



14985 Glazier Avenue
Suite 630
Apple Valley, MN 55124

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND
MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH *OMB CIRCULAR A-133*

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

Compliance

We have audited Best Buddies International, Inc.'s (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 year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of BBI's management. Our responsibility is to express an opinion on BBI's compliance 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 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. Our audit does not provide a legal determination on BBI's compliance with those requirements.

In our opinion, BBI complied, in all material respects, with the 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, 2010.



Internal Control Over Compliance

Management of BBI 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 BBI's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 a 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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of BBI Board, management, others within BBI, 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.

March 18, 2011
Apple Valley, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

BEST BUDDIES INTERNATIONAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010

Federal Grantor/Program Title Pass-through Grantor	Federal Domestic Assistance Number	Direct Federal Expenditures	Pass- Through Federal Expenditures	Federal Expenditures
<i>U.S. Department of Education:</i>				
Special Education Grants to States				
Arizona Department of Education		\$ -	\$ 90,323	\$ 90,323
School Board of Miami-Dade County, Florida		-	112,164	112,164
Maryland Department of Education		-	124,125	124,125
		<u>-</u>	<u>124,125</u>	<u>124,125</u>
Total Special Education Grants to States	84.027	<u>-</u>	<u>326,612</u>	<u>326,612</u>
Rehabilitation Services - Vocational				
Rehabilitation Grants to States				
Florida Department of Education		-	10,866	10,866
California Department of Rehabilitation		-	12,378	12,378
		<u>-</u>	<u>12,378</u>	<u>12,378</u>
Total Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	<u>-</u>	<u>23,244</u>	<u>23,244</u>
Rehabilitation Services - Service Projects				
U.S. Department of Education	84.128	<u>116,021</u>	<u>-</u>	<u>116,021</u>
Supported Employment Services for Individuals with the Most Significant Disabilities				
Florida Department of Education	84.187	<u>-</u>	<u>3,558</u>	<u>3,558</u>
Fund for the Improvement of Education				
U.S. Department of Education	84.215	<u>564,999</u>	<u>-</u>	<u>564,999</u>
Rehabilitation Services - Demonstration and Training Programs				
U.S. Department of Education	84.235	<u>213,843</u>	<u>-</u>	<u>213,843</u>
Rehabilitation Services - Vocational				
Rehabilitation Grants to States, Recovery Act				
Florida Department of Education	84.390	<u>-</u>	<u>62,101</u>	<u>62,101</u>
State Fiscal Stabilization Fund - Government Services, Recovery Act				
Florida Department of Education	84.397	<u>-</u>	<u>38,728</u>	<u>38,728</u>
<i>Total U.S. Department of Education:</i>		<u>894,863</u>	<u>454,243</u>	<u>1,349,106</u>
<i>U.S. Department of Health and Human Services:</i>				
Disabilities Basic Support and Advocacy Grant				
New York Developmental Disabilities Planning Council		-	91,883	91,883
Delaware Developmental Disabilities Planning Council		-	7,500	7,500
Kentucky Developmental Disabilities Planning Council		-	187,814	187,814
Arizona Developmental Disabilities Planning Council		-	17,576	17,576
Louisiana Developmental Disabilities Planning Council		-	7,046	7,046
		<u>-</u>	<u>7,046</u>	<u>7,046</u>
Total Disabilities Basic Support and Advocacy Grant	93.630	<u>-</u>	<u>311,819</u>	<u>311,819</u>
Mental Health Research Grants				
Florida Agency for Persons with Disabilities	93.242	<u>-</u>	<u>15,035</u>	<u>15,035</u>
<i>Total U.S. Department of Health and Human Services:</i>		<u>-</u>	<u>326,854</u>	<u>326,854</u>
Total Federal Expenditures		<u>\$ 894,863</u>	<u>\$ 781,097</u>	<u>\$ 1,675,960</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

BEST BUDDIES INTERNATIONAL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS
YEAR ENDED DECEMBER 31, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unqualified
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:	Unqualified
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:	
Rehabilitation Services - Service Projects	84.128
Developmental Disabilities Basic Support and Advocacy Grants	93.630
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	Yes

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.