

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

ANNUAL FINANCIAL REPORT

FOR THE YEARS ENDED
DECEMBER 31, 2012 AND 2011

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BEST BUDDIES INTERNATIONAL, INC.
TABLE OF CONTENTS
DECEMBER 31, 2012 AND 2011

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	3
FINANCIAL STATEMENTS	
Statements of Financial Position	7
Statements of Activities	8
Statements of Functional Expenses	9
Statements of Cash Flows	11
Notes to Financial Statements	13
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>	29
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>	31
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control Over Compliance Required by <i>OMB Circular A-133</i> and Chapter 10.650 Rules of the Auditor General	33
Schedule of Expenditures of Federal Awards and State Financial Assistance	35
Schedule of Findings and Questioned Costs - Federal Awards Programs and State Financial Assistance Projects	37

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

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

Reports on the 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 the statements of financial position as of December 31, 2012 and 2011, 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 an opinion 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 audit to obtain reasonable assurance about whether the financial statements are free from 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 the entity'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 the entity'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 presentation of the financial statements.

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, 2012 and 2011 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2013, on our consideration of BBI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BBI's internal control over financial reporting and compliance.

Supplementary Information

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 and state financial assistance, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Audit General Rule 10.656(3)(d)2 is presented for the purposes of additional analysis 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.

April 2, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

FINANCIAL STATEMENTS

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BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,984,644	\$ 3,876,518
Investments	991,667	866,485
Accounts receivable	3,368,828	119,195
Contributions receivable, net	984,862	1,464,508
Grants receivable	1,136,980	1,156,553
Prepaid expenses	292,474	302,186
Security deposits	24,161	11,599
	8,783,616	7,797,044
CONTRIBUTIONS RECEIVABLE, NET	183,928	275,541
PROPERTY AND EQUIPMENT		
Computers	460,645	460,645
Furniture and equipment	30,613	15,462
Auto	24,000	24,000
	515,258	500,107
TOTAL PROPERTY AND EQUIPMENT, COST LESS ACCUMULATED DEPRECIATION	(505,725)	(500,107)
TOTAL PROPERTY AND EQUIPMENT, NET	9,533	-
OTHER ASSETS		
Security deposits	21,328	31,612
Investments - deferred compensation plan	62,439	54,927
	83,767	86,539
TOTAL OTHER ASSETS	83,767	86,539
TOTAL ASSETS	\$ 9,060,844	\$ 8,159,124
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 220,618	\$ 274,076
Deferred revenue	1,589,507	674,501
Compensated absences payable	24,906	13,382
	1,835,031	961,959
TOTAL CURRENT LIABILITIES	1,835,031	961,959
DEFERRED COMPENSATION PLAN LIABILITY	62,439	54,927
TOTAL LIABILITIES	1,897,470	1,016,886
NET ASSETS		
Unrestricted	7,163,374	7,142,238
TOTAL LIABILITIES AND NET ASSETS	\$ 9,060,844	\$ 8,159,124

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

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT		
UNRESTRICTED REVENUE AND GAINS		
Contributions	\$ 5,739,108	\$ 4,603,565
Government grants	3,294,840	4,404,773
Program service revenue	336,698	255,235
Total contributions, government grants and program service revenue	9,370,646	9,263,573
Fund raisers and special events revenue		
Fund raisers and special events, net of bad debt expense of \$17,609 and \$12,875 for 2012 and 2011, respectively	14,689,159	13,792,856
Less direct benefits to donors	(2,845,374)	(2,371,387)
Net fund raisers and special events revenue	11,843,785	11,421,469
In-kind contributions	162,080	169,546
Interest and dividends	31,214	34,727
Gain (loss) on sale of investments	29	(49)
Net appreciation (depreciation) in market value of investments	48,270	(18,262)
TOTAL UNRESTRICTED REVENUE, GAINS AND OTHER SUPPORT	21,456,024	20,871,004
EXPENSES		
Program services		
Friendship program	12,063,050	11,654,794
Jobs program	1,044,319	744,368
eBuddies program	171,059	128,449
Total program services	13,278,428	12,527,611
Supporting services		
Management and general	937,749	778,724
Fundraising	7,218,711	6,225,727
TOTAL EXPENSES	21,434,888	19,532,062
INCREASE IN NET ASSETS	21,136	1,338,942
NET ASSETS, JANUARY 1	7,142,238	5,803,296
NET ASSETS, DECEMBER 31	\$ 7,163,374	\$ 7,142,238

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

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012						
	Program Services			Supporting Services			
	Friendship Program	Jobs Program	eBuddies Program	Total Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 7,169,361	\$ 834,883	\$ 139,950	\$ 8,144,194	\$ 407,836	\$ 1,193,063	\$ 9,745,093
Travel	408,491	40,779	1,499	450,769	14,547	282,739	748,055
Supplies, printing and publications	91,155	5,965	303	97,423	4,383	29,871	131,677
Telephone	163,709	14,346	1,939	179,994	1,770	29,685	211,449
Insurance	45,928	-	-	45,928	10,592	-	56,520
Board	-	-	-	-	40,354	-	40,354
Postage and delivery	40,560	2,747	39	43,346	656	12,210	56,212
Depreciation	5,618	-	-	5,618	-	-	5,618
Grants	553,174	-	-	553,174	-	-	553,174
Public awareness	1,610,366	30	-	1,610,396	-	-	1,610,396
Legal and accounting	-	-	-	-	151,789	-	151,789
Memberships	8,962	7,041	-	16,003	640	6,668	23,311
Equipment	337,793	7,864	-	345,657	37,506	73,349	456,512
Rent and utilities	771,838	81,845	22,397	876,080	15,288	155,022	1,046,390
Leadership conference	540,964	570	-	541,534	-	-	541,534
Marketing	-	-	-	-	-	11,454	11,454
Credit card usage and processing fees	-	-	-	-	165,000	-	165,000
Fundraisers	-	204	-	204	-	5,190,627	5,190,831
Newsletter	-	-	-	-	-	-	-
Staff training and recruitment	173,158	18,918	2,919	194,995	46,773	32,026	273,794
Volunteer management	106,569	3,067	2,013	111,649	-	-	111,649
Bad debt	-	8,035	-	8,035	-	80,006	88,041
Other	35,404	18,025	-	53,429	40,615	121,991	216,035
Total	<u>\$ 12,063,050</u>	<u>\$ 1,044,319</u>	<u>\$ 171,059</u>	<u>\$ 13,278,428</u>	<u>\$ 937,749</u>	<u>\$ 7,218,711</u>	<u>\$ 21,434,888</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, 2012 AND 2011

	2011						
	Program Services			Supporting Services			
	Friendship Program	Jobs Program	eBuddies Program	Total Program	Management and General	Fundraising	Total
Salaries and benefits	\$ 7,026,919	\$ 582,295	\$ 93,506	\$ 7,702,720	\$ 324,536	\$ 1,157,113	\$ 9,184,369
Travel	319,764	33,256	3,457	356,477	10,759	211,005	578,241
Supplies, printing and publications	106,520	6,345	1,268	114,133	3,865	25,885	143,883
Telephone	162,107	10,557	7,583	180,247	1,393	31,291	212,931
Insurance	52,813	-	-	52,813	10,093	-	62,906
Board	-	-	-	-	59,872	-	59,872
Postage and delivery	37,420	1,570	85	39,075	471	5,701	45,247
Depreciation	4,400	-	-	4,400	-	-	4,400
Grants	283,459	-	-	283,459	-	-	283,459
Public awareness	1,808,792	641	-	1,809,433	-	-	1,809,433
Legal and accounting	-	-	-	-	142,270	-	142,270
Memberships	8,222	2,943	-	11,165	2,690	8,803	22,658
Equipment	311,682	9,327	501	321,510	37,456	43,953	402,919
Rent and utilities	777,429	68,997	16,755	863,181	14,727	121,422	999,330
Leadership conference	409,716	5,237	1,735	416,688	-	540	417,228
Marketing	-	-	-	-	-	2,749	2,749
Credit card usage and processing fees	-	-	-	-	127,538	-	127,538
Fundraisers	-	-	-	-	-	4,275,874	4,275,874
Newsletter	15	-	-	15	-	-	15
Staff training and recruitment	191,038	11,597	3,559	206,194	31,277	12,757	250,228
Volunteer management	145,638	1,621	-	147,259	-	-	147,259
Bad debt	-	-	-	-	-	194,870	194,870
Other	8,860	9,982	-	18,842	11,777	133,764	164,383
Total	\$ 11,654,794	\$ 744,368	\$ 128,449	\$ 12,527,611	\$ 778,724	\$ 6,225,727	\$ 19,532,062

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

BEST BUDDIES INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 21,136	\$ 1,338,942
Adjustment to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,618	4,400
Bad debt	105,650	207,745
(Gain) loss on sale of investments	(29)	49
Net (appreciation) depreciation in market value of investments	(48,270)	18,262
Change in assets and liabilities:		
Accounts receivable	(3,249,633)	114,918
Contributions receivable	465,609	(1,086,429)
Grants receivable	19,573	(33,371)
Prepaid expenses	9,712	25,778
Security deposits	(2,278)	(6,218)
Accounts payable	(53,458)	(162,690)
Deferred revenue	915,006	198,806
Compensated absences payable	11,524	(3,927)
	(1,799,840)	616,265
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(105,714)	(31,022)
Proceeds from sale of investments	28,831	1,766
Purchase of computers, furniture and equipment	(15,151)	-
	(92,034)	(29,256)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,891,874)	587,009
BEGINNING CASH AND CASH EQUIVALENTS	3,876,518	3,289,509
ENDING CASH AND CASH EQUIVALENTS	\$ 1,984,644	\$ 3,876,518
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS		
Receipt of donated facilities and services through in-kind contributions	\$ 162,080	\$ 169,546

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

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BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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 2012 and 2011.

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, 2012, and consists primarily of donations from a major gifts campaign at December 31, 2011.

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 2012 and 2011, certain accounts were determined to be uncollectible and written off to bad debt expense totaling \$105,650 and \$207,745, respectively. All accounts receivable and grants receivable are deemed collectible and, as a result, no allowance has been recorded at year end.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011:

	2012	2011
Special events	\$ 55,791	\$ 72,634
Rent and office expenses	79,760	75,175
Insurance premiums	94,600	115,657
Other prepaid expenses	62,323	38,720
	\$ 292,474	\$ 302,186

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, 2012 AND 2011

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, 2012 and 2011, 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 2012 and 2011. Advertising expense during 2012 and 2011 was \$471,196 and \$435,034, 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 April 2, 2013, the date the financial statements were available to be issued.

S. Reclassifications

Certain transactions for the year ended December 31, 2011 have been reclassified in these comparative financial statements to conform to the December 31, 2012 presentation. These reclassifications had no effect on net assets.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 AND 2011

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)
2012:			
Mutual funds			
U.S. equities	\$ 130,825	\$ -	\$ -
Non U.S. equities	85,358	-	-
Fixed income	480,853	-	-
Non-classified	27,520	-	-
Cash and cash alternatives	267,111	-	-
Total mutual funds	<u>991,667</u>	<u>-</u>	<u>-</u>
Stocks			
U.S. equities	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 991,667</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)
2011:			
Mutual funds			
U.S. equities	\$ 115,404	\$ -	\$ -
Non U.S. equities	71,309	-	-
Fixed income	471,388	-	-
Non-classified	41,840	-	-
Cash and cash alternatives	166,282	-	-
Total mutual funds	<u>866,223</u>	<u>-</u>	<u>-</u>
Stocks			
U.S. equities	<u>262</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 866,485</u>	<u>\$ -</u>	<u>\$ -</u>

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 3: CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
In less than one year	\$ 1,008,112	\$ 918,045
In one to five years	189,000	852,000
More than five years	<u>-</u>	<u>18,000</u>
Total contributions receivable	1,197,112	1,788,045
Less allowance for doubtful accounts	(22,756)	(42,370)
Less unamortized discount net contributions receivable	<u>(5,566)</u>	<u>(5,626)</u>
Net contributions receivable	<u>\$ 1,168,790</u>	<u>\$ 1,740,049</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 2012 and 2011, BBI and BBSC shared office space, office expenses and management. In addition, BBSC made contributions of \$2,200,000 and \$0, respectively, in support of operations of BBI.

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, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
	<u>Due from</u>	<u>Due from</u>
BBSC	\$ 3,195,180	\$ 46,608
Shriver Art	<u>34,756</u>	<u>6,960</u>
Total	<u>\$ 3,229,936</u>	<u>\$ 53,568</u>

At December 31, 2012 and 2011, BBSC has an accounts receivable balance of approximately 95 percent and 39 percent, respectively, of BBI's total accounts receivable balance.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 4: RELATED PARTIES – CONTINUED

Amounts paid during 2012 and 2011 for office expenses were as follows:

	2012	2011
Paid by BBI for BBSC	\$ 18,739	\$ 26,543
Paid by BBI for Shriver Art	122,408	84,209
Total	\$ 141,147	\$ 110,752

Cash transfers during 2012 and 2011 were as follows:

	2012	2011
To BBSC	\$ 997,592	\$ 216,729

Note 5: OPERATING LEASES

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

Miami, FL – Original 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 on 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. The lease was renewed on November 15, 2011 and runs through November 14, 2012 with monthly payments of \$1,350 plus the pro-rata share of maintenance charges each month. On May 31, 2012, the lease agreement was terminated.

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. The lease was amended January 1, 2013 and runs through December 31, 2017. The lease stipulates monthly rent in the amount of \$4,472 through December 31, 2017 plus BBI's share of operating costs for the term of the lease.

Culver City, CA – Original lease commenced March 1, 2006 and expired on February 28, 2011. Terms of the lease agreement were 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. The lease was renewed on January 1, 2013 and runs through December 31, 2013. Terms of the lease agreement are monthly lease payments of \$2,222 through December 31, 2013.

Tampa, FL – The 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.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 5: OPERATING LEASES – CONTINUED

Tampa, FL – The lease for office space commenced January 1, 2013 and runs through January 2016. The lease stipulates monthly rent in the amount of \$1,287 through January 2016.

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 ran through December 31, 2010 with monthly lease payments of \$1,200. The lease was renewed on January 1, 2011 and ran through December 31, 2011 with monthly lease payments of \$1,200. The lease is now under a month-to-month agreement.

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 ran through January 31, 2012. Terms of the lease agreement were 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. The lease was renewed on February 1, 2012 and runs through January 31, 2013. Terms of the lease agreement are monthly lease payments of \$1,864 plus the pro rata share of utilities and operating expenses through January 31, 2013.

Falls Church, VA – Original lease commenced on November 1, 2007 and expired on October 31, 2010. Terms of the lease agreement were 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.

Falls Church, VA – Original lease commenced on January 1, 2012 and expires on December 31, 2014. Terms of the lease agreement are monthly lease payments of \$766 through December 2012, \$789 through December 2013, and \$813 through December 2014.

Jacksonville, FL – 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 through January 31, 2013.

North Haven, CT – Original lease commenced on September 1, 2008 and ran through December 31, 2011. Terms of the lease agreement were monthly lease payments of \$1,220 through December 2008, \$1,400 through June 2010, and \$1,470 through December 2011. The lease was renewed on December 31, 2011 and runs through December 31, 2014. Terms of the lease agreement are monthly lease payments of \$1,550 for the first 18 months and \$1,600 for the final 18 months of the lease.

Wilmington, DE – The lease commenced on June 1, 2011 and runs through May 31, 2014. Terms of the lease agreement are monthly lease payments of \$1,083 through May 31, 2012, \$1,110 through May 31, 2013 and \$1,138 through May 31, 2014.

Hollywood, FL – The lease commenced on July 1, 2011 and runs through June 30, 2013. Terms of the lease are monthly lease payments of \$1,650 through June 30, 2012 and \$1,716 through June 30, 2013.

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.

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

Note 5: OPERATING LEASES – CONTINUED

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. The lease was renewed on June 1, 2012 and runs through December 31, 2015. Terms of the lease agreement are monthly lease payments of \$1,855 through August 31, 2012, \$2,413 through May 31, 2013, \$2,489 through May 31, 2014, and \$2,564 through December 31, 2015.

Washington, DC – The lease commenced on May 1, 2011 and runs through March 31, 2013. Terms of the lease agreement are monthly lease payments of \$10,617 through March 31, 2012 and \$10,882 through March 31, 2013.

Brentwood, TN – The lease commenced on April 1, 2011 and ran through March 31, 2012. Terms of the lease agreement were monthly lease payments of \$900. A new lease commenced on October 1, 2012 and runs through September 30, 2013. Terms of the lease agreement are monthly lease payments of \$1,180.

San Francisco, CA – The lease commenced on June 1, 2011 and ran through May 31, 2012. Terms of the lease agreement were monthly lease payments of \$743. The lease is now under a month-to-month agreement.

Wailuku, HI – The lease commenced on January 31, 2012 and runs through December 31, 2012. Terms of the lease agreement are monthly lease payments of \$360.

Windsor Heights, IA – The original lease commenced on December 1, 2011 and runs through June 30, 2014. Terms of the lease agreement were monthly lease payments of \$367. The lease was amended on December 1, 2012 and runs through November 30, 2015. Terms of the lease agreement are monthly lease payments of \$520 through November 30, 2013, \$530 through November 30, 2014, and \$541 through November 30, 2015.

Louisville, KY – The original lease commenced on July 27, 2011 and ran through July 31, 2012. The terms of the lease agreement were monthly lease payments of \$800. The lease was renewed on August 1, 2012 and ran through October 31, 2012. Terms of the lease agreement were monthly lease payments of \$800. The lease is now under a month-to-month agreement.

Amherst, MA – The lease commenced on July 1, 2011 and ran through June 30, 2012. Terms of the lease agreement were monthly lease payments of \$600. The lease is now under a month-to-month agreement.

Pittsburgh, PA – The lease commenced on October 1, 2011 and ran through September 30, 2012. Terms of the lease agreement were monthly lease payments of \$585. The lease was renewed on October 1, 2012 and runs through September 30, 2013. Terms of the lease agreement are monthly lease payments of \$585.

King of Prussia, PA – The lease commenced on June 1, 2012 and runs through September 30, 2017. Terms of the lease agreement are monthly lease payments of \$0 through September 30, 2012, \$1,553 through December 31, 2013, and base rent plus the consumer price index percentage or two percent, whichever is higher, calculated annually through September 30, 2017.

Cranston, RI – The lease commenced on November 1, 2011 and runs through October 31, 2013. Terms of the lease agreement are monthly lease payments of \$558 through October 31, 2012 and \$614 through October 31, 2013.

Houston, TX – The lease commenced on January 1, 2012 and runs through December 31, 2013. Terms of the lease agreement are monthly lease payments of \$600.

Salt Lake City, UT – The lease commenced on October 1, 2010 and ran through September 30, 2012. Terms of the lease agreement were monthly lease payments of \$600.

BEST BUDDIES INTERNATIONAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2012 AND 2011

Note 5: OPERATING LEASES – CONTINUED

Wauwatosa, WI – The lease commenced on August 1, 2010 and ran through July 31, 2012. Terms of the lease agreement were monthly lease payments of \$650 through July 31, 2011 and \$675 through July 31, 2012. The lease was renewed on August 1, 2012 and runs through July 31, 2013. Terms of the lease agreement are monthly lease payments of \$700.

Chicago, IL – The lease commenced on June 1, 2012 and runs through May 31, 2014. Terms of the lease agreement are monthly lease payments of \$2,000.

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 2012 and 2011 was \$955,582 and \$901,284, respectively.

The aggregate future minimum lease payments are as follows:

Year	Amount
2013	\$ 780,243
2014	613,286
2015	485,879
2016	84,977
2017	69,413
Total	\$ 2,033,798

Note 6: DONATED SERVICES

During the years ended December 31, 2012 and 2011, 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, 2012 and 2011 totaled \$71,273 and \$71,500, 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, 2012 AND 2011

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, 2012 and 2011 are as follows:

In-kind contributions	<u>2012</u>	<u>2011</u>
District of Columbia	\$ -	\$ 22,125
Texas	5,790	1,776
Illinois	17,323	41,575
Tennessee	-	2,700
New York	<u>67,695</u>	<u>29,870</u>
Total	<u>\$ 90,808</u>	<u>\$ 98,046</u>

Note 8: ALLOCATION OF JOINT COSTS

In 2012 and 2011, BBI conducted activities that included requests for contributions, as well as program components. Those activities included special events. For the years ended December 31, 2012 and 2011, the costs of conducting those activities included a total of \$6,716,436 and \$6,002,181, respectively, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2012</u>	<u>2011</u>
Fundraising	\$ 5,190,627	\$ 4,275,874
Friendship program	<u>1,525,809</u>	<u>1,726,307</u>
Total joint costs	<u>\$ 6,716,436</u>	<u>\$ 6,002,181</u>

BEST BUDDIES INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011

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, 2012 and 2011 were \$85,227 and \$103,290, 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, 2012 and 2011. There were no employee deferrals into the DC Plan for 2012 and 2011. Aggregate balances in deferred compensation totaled \$62,439 and \$54,927 at December 31, 2012 and 2011, respectively.

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, 2012 and 2011, the compensated absences payable was \$24,906 and \$13,382, respectively.

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5201 Eden Avenue
Suite 250
Edina, MN 55436

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, 2012, 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 April 2, 2013.

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.

April 2, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants



5201 Eden Avenue
Suite 250
Edina, MN 55436

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.'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, 2012. 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, 2012.



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.

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.

April 2, 2013
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants



5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER
10.650 RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major Federal Program and State Project

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* and the requirements described in the Department of Financial Services' *State Projects Compliance Supplement*, that could have a direct and material effect on each of BBI's major Federal programs and State projects for the year ended December 31, 2012. BBI's major Federal programs and State projects are identified in the summary of auditor's results sections of the accompanying Schedule of Findings and Questioned Costs – Federal Awards Programs and State projects.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of BBI's major Federal programs and State projects 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.650 Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.650, Rules of the Auditor General, 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 or State project 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 and State project. However, our audit does not provide a legal determination of BBI's compliance.



Opinion on Each Major Federal Program and State Project

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 and State projects for the year ended December 31, 2012.

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 or State project 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 State project 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 or State project 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 or State project 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 or State project 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.

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.

April 2, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

BEST BUDDIES INTERNATIONAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal/State Agency, Program Title and Pass-through Entity	State Contract/ Grant Number	CFDA/ CFSA Number	State Expenditures	Federal Expenditures	Transfers to Subrecipients	Total Expenditures
Federal Expenditures						
<i>U.S. Department of Housing and Urban Development</i>						
Community Development Block Grants						
Indirect Programs						
City of Miami Beach, Florida			\$ -	\$ 5,000	\$ -	\$ 5,000
Total Community Development Block Grants		14.218	-	5,000	-	5,000
<i>Total U.S. Department of Housing and Urban Development</i>			-	5,000	-	5,000
<i>U.S. Department of Education</i>						
Special Education Grants to States						
Indirect Programs						
Arizona Department of Education			-	88,949	-	88,949
School Board of Miami-Dade County, Florida			-	89,900	-	89,900
Maryland Department of Education			-	94,729	-	94,729
Total Special Education Grants to States		84.027	-	273,578	-	273,578
Rehabilitation Services - Vocational Rehabilitation Grant to States						
Indirect Programs						
Florida Department of Education			-	141,019	-	141,019
California Department of Rehabilitation			-	12,421	-	12,421
Massachusetts Rehabilitation Commission			-	49,385	-	49,385
Total Rehabilitation Services - Vocational Rehabilitation Grants to States		84.126	-	202,825	-	202,825
Fund for the Improvement of Education						
Direct Programs						
U.S. Department of Education		84.215	-	101,802	-	101,802
Rehabilitation Services - Demonstration and Training Programs						
Direct Programs						
U.S. Department of Education		84.235	-	363,920	-	363,920
<i>Total U.S. Department of Education</i>			\$ -	\$ 942,125	\$ -	\$ 942,125

BEST BUDDIES INTERNATIONAL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal/State Agency, Program Title and Pass-through Entity	State Contract/ Grant Number	CFDA/ CFSA Number	State Expenditures	Federal Expenditures	Transfers to Subrecipients	Total Expenditures
Federal Expenditures - Continued						
<i>U.S. Department of Health and Human Services</i>						
Disabilities Basic Support and Advocacy Grant						
Indirect Programs						
Delaware Developmental Disabilities Planning Council			\$ -	\$ 14,664	\$ -	\$ 14,664
Kentucky Department for Mental Health Development Disabilities and Addition Services			-	9,688	-	9,688
Total Disabilities Basic Support and Advocacy Grant		93.630	-	24,352	-	24,352
Medical Assistance Program						
Indirect Programs						
Florida Agency for Persons with Disabilities			-	4,884	-	4,884
Total Medical Assistance Program		93.778	-	4,884	-	4,884
<i>Total U.S. Department of Health and Human Services</i>						
			-	29,236	-	29,236
Total Federal Expenditures						
			-	976,361	-	976,361
* indicates programs audited as major programs						
State Expenditures						
<i>Florida Department of Education</i>						
Mentoring/Student Assistance Initiatives	957-96170-2QB01	48.068	304,841	-	- *	304,841
Mentoring/Student Assistance Initiatives	957-96170-3QB01	48.068	273,206	-	- *	273,206
Total State Expenditures			578,047	-	-	578,047
Total Expenditures			\$ 578,047	\$ 976,361	\$ -	\$ 1,554,408

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

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

BEST BUDDIES INTERNATIONAL, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
 FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS
 FOR THE YEAR ENDED DECEMBER 31, 2012

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 and State Financial Assistance Projects:

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 and Florida Single Audit Acts?	No

Federal CFDA Number

Identification of Major Programs/Projects:

Federal Programs:	
Special Education Grants to States	84.027

State CSFA Number

State Projects:	
Florida Department of Education	48.068
Pass-through agency:	
None	

Dollar threshold used to distinguish between Type A and Type B Programs:	
Federal	\$ 300,000
State	\$ 173,414

Auditee qualified as low-risk auditee pursuant to OMB Circular A-133	Yes
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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.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS -
FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE PROJECTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

**SECTION IV - MAJOR STATE FINANCIAL ASSISTANCE PROJECTS 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 the Florida Single Audit Act.

OTHER ISSUES

The management letter required by A.G. Rule Section 10.656(3)(e) is not included in this report because there were no findings required to be reported.

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 or state financial assistance projects.

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