

**BIG BROTHERS BIG SISTERS
OF
GREATER CHATTANOOGA**

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2018

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Table of Contents
December 31, 2018

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i
Roster of Officers and Board of Directors	ii
II. FINANCIAL SECTION	
Independent Auditor's Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-17
Supplemental Information	
Comparative Schedule of Financial Position	18
Comparative Schedule of Activities	19

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Roster of Officers and Board of Directors
December 31, 2018

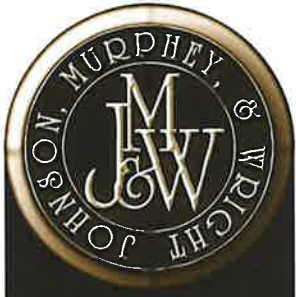
Officers

Barret Albritton, President
Tory Johnston, Vice President
Terryl James, Secretary
Austin Cone, Treasurer
Blake Bozarth, Parliamentarian

Board of Directors

Chip Allen
Hazel Bell
Jack Bowen
Greg Brabec
Talley Carroll
Mitch Collins
Brandon Deering
Robert Divine
Art Grisham
Gail Iles
Troy Kemp
Shelby Montague
Elaine Swafford
Trey White
Tara Wiese

II. FINANCIAL SECTION



Certified Public
Accountants

301 N. Market
Chattanooga, TN
37405

Office: 423-756-1170
Fax: 423-756-1436
www.jmw-cpa.com

Members
American Institute
of Certified
Public Accountants

Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Jennifer Waycaster, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers Big Sisters of Greater Chattanooga

We have audited the accompanying financial statements of Big Brothers Big Sisters of Greater Chattanooga, which comprise the Statement of Financial Position as of December 31, 2018, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Big Brothers Big Sisters of Greater Chattanooga as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for 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 as a whole.

Effect of Adopting New Accounting Standard

As discussed in Note 16, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to the matter.

Johnson, Murphy & Wright, P.C.

Chattanooga, Tennessee
June 13, 2019

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Financial Position
December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 176,995	\$ -	\$ 176,995
Investments	855,793	1,016,957	1,872,750
Accounts receivable	1,000	-	1,000
Prepaid expenses	8,392	-	8,392
Total current assets	1,042,180	1,016,957	2,059,137
Non-current assets			
Cash surrender value of life insurance	16,685	-	16,685
Property and equipment - net	23,378	-	23,378
Total non-current assets	40,063	-	40,063
TOTAL ASSETS	\$ 1,082,243	\$ 1,016,957	\$ 2,099,200
 LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 35	\$ -	\$ 35
Payroll withholding and other liabilities	5,600	-	5,600
Accrued compensated absences	9,708	-	9,708
Total current liabilities	15,343	-	15,343
 Net assets			
Without donor restrictions:			
Undesignated	139,155	-	139,155
Board-designated	927,745	-	927,745
With donor restrictions	-	1,016,957	1,016,957
Total net assets	1,066,900	1,016,957	2,083,857
TOTAL LIABILITIES AND NET ASSETS	\$ 1,082,243	\$ 1,016,957	\$ 2,099,200

The accompanying notes are an integral part of the financial statements.

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 76,986	\$ -	\$ 76,986
United Way	190,474	-	190,474
In-kind revenue	18,294	-	18,294
Special event revenue	209,036	-	209,036
Less: costs of direct benefits to donors	(22,382)	-	(22,382)
Investment return, net	(130,607)	35,866	(94,741)
Total revenues, gains and other support	341,801	35,866	377,667
EXPENSES			
Program service			
Mentor	628,539	-	628,539
Supporting services			
Management and general	53,954	-	53,954
Fund-raising	53,102	-	53,102
Total supporting services	107,056	-	107,056
Total expenses	735,595	-	735,595
Change in net assets	(393,794)	35,866	(357,928)
Net assets - beginning (as adjusted)	1,460,694	981,091	2,441,785
Net assets - end	\$ 1,066,900	\$ 1,016,957	\$ 2,083,857

The accompanying notes are an integral part of the financial statements.

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Functional Expenses
Year Ended December 31, 2018

	Program Service	Supporting Services		Total
	Mentor	Management and General	Fund- Raising	
EXPENSES				
Salaries	\$ 330,989	\$ 32,297	\$ 43,527	\$ 406,813
Payroll taxes	28,986	2,828	3,812	35,626
Employee benefits	43,826	4,276	5,763	53,865
Activity	27,360	-	-	27,360
Assistance	728	-	-	728
Conferences	7,644	-	-	7,644
Contract services	41,013	-	-	41,013
Depreciation	2,679	-	-	2,679
Dues and licenses	2,340	-	-	2,340
In-kind expense	18,294	-	-	18,294
Insurance	24,081	-	-	24,081
Local travel	4,181	-	-	4,181
Miscellaneous	6,131	-	-	6,131
Occupancy	15,049	-	-	15,049
Payments to National	12,826	-	-	12,826
Professional fees	-	14,553	-	14,553
Recruiting	20,396	-	-	20,396
Repairs and maintenance	984	-	-	984
Scholarships	21,728	-	-	21,728
Supplies	13,149	-	-	13,149
Telephone	6,155	-	-	6,155
	<u>628,539</u>	<u>53,954</u>	<u>53,102</u>	<u>735,595</u>
Total expenses	<u>\$ 628,539</u>	<u>\$ 53,954</u>	<u>\$ 53,102</u>	<u>\$ 735,595</u>

The accompanying notes are an integral part of the financial statements.

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ (357,928)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	2,679
Net realized and unrealized losses (gains) on investments	126,089
Cash surrender value of life insurance	(1,590)
(Increase) decrease in prepaid expenses	(1,100)
(Increase) decrease in account receivable	(1,000)
Increase (decrease) in accounts payable	(874)
Increase (decrease) in payroll withholding and other liabilities	4,785
Increase (decrease) in compensated absences	<u>(9,310)</u>
Net cash provided (used) by operating activities	<u>(238,249)</u>
Cash Flows from Investing Activities	
Proceeds from sales of investments	201,534
Purchase of equipment	<u>(1,681)</u>
Net cash provided (used) by investing activities	<u>199,853</u>
Net increase (decrease) in cash	(38,396)
Cash - beginning	<u>215,391</u>
Cash - end	<u>\$ 176,995</u>

The accompanying notes are an integral part of the financial statements.

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Notes to Financial Statements
December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

Big Brothers Big Sisters of Greater Chattanooga provides adult companionship, guidance, and role models to children and youth who lack the companionship and guidance due to a missing parent. The Entity also offers limited financial assistance for college tuition to qualified youth associated with the program. Contributions provide the majority of the Entity's income.

B. Basis of Presentation - Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. Under the accrual basis, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred. The financial statements reflect all significant receivables, payables and other liabilities. The reserve method is used to estimate the allowance for uncollectible receivables, if any.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did result in additional disclosures contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are allocated between accounting periods and reported as an expense of the period in which they relate.

H. Promises to Give

Donor promises to give are evaluated on the basis of criteria in FASB ASC 958-310-25. Those that meet the criteria are recognized as revenues or gains in the period the pledge is received and as assets (cash, receivables, etc.) or decrease of liabilities, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The Entity uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At year-end, there were no promises to give.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$500 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Furniture and fixtures	5-7 years
Equipment	5-10 years
Land improvements	15 years

K. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

L. Unearned Revenues

The Entity had no unearned revenues received prior to year-end for the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Valuation of Donated Services

The Entity depends upon the services donated by its board members, supporters and volunteers to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The Entity has recorded the value of donated services which meet the requirements of FASB ASC 958-605-25-16. The value of these services is shown as in-kind contributions and in-kind expense on the Statement of Activities.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

Mentor

Dedicated to successful mentoring relationships for all children who need and want them.

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations and corporations.

P. Advertising

Advertising costs are expensed as incurred.

Q. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended December 31, 2015 through December 31, 2018, for Federal income tax, the years that remain subject to examination by major jurisdictions as of December 31, 2018.

S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2018, and June 13, 2019, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 176,995
Investments	1,872,750
Account receivable	<u>1,000</u>
Total financial assets	2,050,745
Less: net assets with donor restrictions	(1,016,957)
Less: board-designated funds	<u>(927,745)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 106,043</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

The Entity's endowment funds consists of a donor-restricted endowment and a board-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure. As described in Note 14, the board-designated endowment has a spending rate of 5%.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash-on-hand	\$ 34,085
Checking accounts	70,958
Cash equivalents	<u>71,952</u>
Total	<u>\$ 176,995</u>

At year-end, the carrying amount of cash was \$176,995 and the bank balance was \$176,995. Of the \$176,995 bank balance, \$105,043 was covered by federal depository insurance. Cash equivalents of \$71,952 held in investment accounts were not insured at year-end.

NOTE 4 - INVESTMENTS

Investments at December 31, 2018, are stated at fair value as follows:

	Cost	Fair Value	Net Unrealized Appreciation (Loss)
Fixed income	*	\$ 409,485	\$ -
Common stock	*	1,399,661	\$ -
Certificates-of-deposit	\$ 63,604	<u>63,604</u>	\$ -
Total		<u>\$ 1,872,750</u>	

*Cost information not available.

Investments in brokerage accounts are subject to market risks. The certificates-of-deposit are covered by FDIC limits.

NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2018.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 71,952	\$ -	\$ -	\$ 71,952
Investments	1,872,750	-	-	1,872,750
Total	<u>\$1,944,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,944,702</u>

NOTE 6 - PROPERTY AND EQUIPMENT - NET

Changes in the fixed assets for the year ended December 31, 2018, were as follows:

	<u>Balance</u> <u>12-31-17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-18</u>
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Building and improvements	116,461	-	(2,595)	113,866
Furniture and fixtures	7,257	1,681	(469)	8,469
Equipment	19,245	-	-	19,245
Land improvements	<u>2,375</u>	<u>-</u>	<u>-</u>	<u>2,375</u>
	160,338	1,681	(3,064)	158,955
Accumulated depreciation	<u>(135,962)</u>	<u>(2,679)</u>	<u>3,064</u>	<u>(135,577)</u>
Total	<u>\$ 24,376</u>	<u>\$ (998)</u>	<u>\$ -</u>	<u>\$ 23,378</u>

Depreciation expense for the year ended December 31, 2018, was \$2,679.

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	\$ 139,155
Board-designated for:	
Scholarship	167,541
Enhancement	63,795
Operating endowment	<u>696,409</u>
Total	<u>\$ 1,066,900</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose restrictions:

Scholarship program	\$ 42,407
Endowment, the investment return from which are restricted for the use of the scholarship program	<u>974,550</u>
Total	<u>\$ 1,016,957</u>

NOTE 9 - FUNDING

The Entity received \$476,496 in cash contributions during 2018. United Way and United Way's Combined Federal Campaign donations accounted for 40% of total cash contributions received in 2018. A major reduction in funds by the Agency could have a significant effect on future operations.

NOTE 10 - CONTRIBUTED MATERIALS

Contributed materials including lawn care and fund-raising prizes, meeting the criteria for recognition have been presented in the financial statements as follows:

In-kind revenue / In-kind expense	<u>\$ 18,294</u>
-----------------------------------	------------------

NOTE 11 - COMMERCIAL INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 12 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Entity has a defined contribution profit-sharing plan covering substantially all employees who meet certain age and service requirements. Under the plan, the Entity contributes 5% of the employee's annual compensation to the plan and also matches up to 2% of employees' annual compensation at 100% and an additional 2% of employees' annual compensation at 50%. The Entity contributed \$25,709 in 2018 to the defined contribution profit-sharing plan.

NOTE 13 - TENNESSEE AMACHI INITIATIVE

Big Brothers Big Sisters of Middle Tennessee (BBBSMT) received a federal grant in 2004 benefiting four other Tennessee Big Brothers Big Sisters organizations, including Big Brothers Big Sisters of Greater Chattanooga. The grant funds are used to provide mentoring to children with one or more parents incarcerated in state or federal prison. The Big Brothers Big Sisters organizations use the Amachi model of mentoring which combines the resources of local congregations, which include the capacity to identify mentors with the expertise of the Big Brothers Big Sisters program which includes the expertise to screen, train, match and support safe mentoring relationships. BBBSMT was the administrator of the grant which includes disbursing grant funds and ensuring compliance with grant covenants. The federal grant ended in 2011, but the association of the five Big Brothers Big Sisters programs continued and sought state funding. During 2018, \$29,204 in state Amachi appropriation allocation was received by Big Brothers Big Sisters of Greater Chattanooga.

NOTE 14 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 14 - ENDOWMENT (Continued)

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Entity considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund,
- (2) the purposes of the organization and the donor-restricted endowment fund,
- (3) general economic conditions,
- (4) the possible effect of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the organization and
- (7) the investment policies of the Entity.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. Actual returns in any given year may vary from this amount.

NOTE 14 - ENDOWMENT (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawal from this fund will be based on a total return policy anticipating a 5% per annum withdrawal. Such determination will be made by the Entity's Board of Directors.

Endowment Net Asset Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 696,409	\$ -	\$ 696,409
Donor-restricted endowment funds	-	974,550	974,550
Total funds	<u>\$ 696,409</u>	<u>\$ 974,550</u>	<u>\$ 1,670,959</u>

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 908,303	\$ 974,550	\$ 1,882,853
Investment return, net	(10,360)	-	(10,360)
Contributions	-	-	-
Appropriation of endowment assets	(201,534)	-	(201,534)
Other changes	-	-	-
Endowment net assets, end of year	<u>\$ 696,409</u>	<u>\$ 974,550</u>	<u>\$ 1,670,959</u>

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor		\$ 974,550
Term endowment funds		-
Accumulated investment gains on endowment funds:		
Without purpose restrictions		-
With purpose restrictions		-
Total endowment funds classified as net assets with donor restrictions		<u>\$ 974,550</u>

NOTE 15 - RELATED PARTY TRANSACTIONS

A board member owns a company that provides services and supplies for the Entity's copier. During the year, \$1,375 was paid to this company.

NOTE 16 - ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended December 31, 2018, the Entity adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

	Amounts under the FASB No. <u>117 model</u>	<u>Reclassifications</u>	"As adjusted" amounts under <u>ASU No. 2016-14</u>
Net assets:			
Unrestricted	\$ 1,460,694	\$ (1,460,694)	\$ -
Temporarily restricted	6,541	(6,541)	-
Permanently restricted	974,550	(974,550)	-
Without donor restrictions	-	1,460,694	1,460,694
With donor restrictions	<u>-</u>	<u>981,091</u>	<u>981,091</u>
Total net assets	<u>\$ 2,441,785</u>	<u>\$ -</u>	<u>\$ 2,441,785</u>

SUPPLEMENTAL INFORMATION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Financial Position
December 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 176,995	\$ 215,391
Investments	1,872,750	2,200,373
Accounts receivable	1,000	-
Prepaid expenses	8,392	7,292
Total current assets	2,059,137	2,423,056
Non-current assets		
Cash surrender value of life insurance	16,685	15,095
Property and equipment - net	23,378	24,376
Total non-current assets	40,063	39,471
TOTAL ASSETS	\$ 2,099,200	\$ 2,462,527
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 35	\$ 909
Payroll withholding and other liabilities	5,600	815
Accrued compensated absences	9,708	19,018
Total current liabilities	15,343	20,742
Net assets		
Without donor restrictions:		
Undesignated	139,155	139,390
Board-designated	927,745	1,321,304
With donor restrictions	1,016,957	981,091
Total net assets	2,083,857	2,441,785
TOTAL LIABILITIES AND NET ASSETS	\$ 2,099,200	\$ 2,462,527

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Activities
Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES, GAINS AND OTHER SUPPORT		
Contributions and grants	\$ 76,986	\$ 183,570
United Way	190,474	189,818
In-kind revenue	18,294	26,908
Special event revenue	209,036	199,120
Less: costs of direct benefits to donors	(22,382)	(31,312)
Investment return, net	(94,741)	316,486
 Total revenues, gains and other support	 377,667	 884,590
 EXPENSES		
Program service		
Mentor	628,539	619,444
 Supporting services		
Management and general	53,954	50,294
Fund-raising	53,102	31,139
Total supporting services	107,056	81,433
 Total expenses	 735,595	 700,877
 Change in net assets	 (357,928)	 183,713
 Net assets - beginning (as adjusted)	 2,441,785	 2,258,072
 Net assets - end	 \$ 2,083,857	 \$ 2,441,785