

**Big Brothers Big Sisters of  
Washtenaw County**

**Financial Statements  
and  
Auditors' Report**

**December 31, 2008**

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## Independent Auditors' Report

Board of Directors  
Big Brothers Big Sisters of Washtenaw County  
Ann Arbor, Michigan

We have audited the accompanying statement of financial position of Big Brothers Big Sisters of Washtenaw County (a Michigan nonprofit organization) as of December 31, 2008, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Washtenaw County as of December 31, 2008, 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.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
June 21, 2009

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Financial Position**  
**December 31, 2008**

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**Assets**

Current assets

Cash and cash equivalents	\$ 267,894
Accounts receivable	3,035
Prepaid expenses	4,703
Grants receivable	<u>4,000</u>
Total current assets	<u>279,632</u>

Property and equipment	7,215
Less accumulated depreciation	<u>(844)</u>
Total property and equipment	<u>6,371</u>

<b>Total assets</b>	<b><u><u>\$ 286,003</u></u></b>
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**Liabilities and net assets**

Current liabilities

Accounts payable	\$ 1,556
Accrued payroll and taxes	17,774
Accrued compensated absences	<u>9,859</u>
Total current liabilities	<u>29,189</u>

Net assets

Unrestricted net assets	254,814
Temporarily restricted net assets	<u>2,000</u>
Total net assets	<u>256,814</u>

<b>Total liabilities and net assets</b>	<b><u><u>\$ 286,003</u></u></b>
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**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Activities**  
**For the Year Ended December 31, 2008**

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total 2008</u>
<b>Revenues and support</b>			
Grants	\$ 93,463	\$ -	\$ 93,463
Donations	279,605	-	279,605
Special events	127,663	-	127,663
Interest income	1,021	-	1,021
	<u>501,752</u>	<u>-</u>	<u>501,752</u>
Net assets released from restriction	<u>3,000</u>	<u>(3,000)</u>	<u>-</u>
Total revenues and support	504,752	(3,000)	501,752
<b>Expenses</b>			
Program	228,337	-	228,337
Management and general	21,228	-	21,228
Fundraising	49,478	-	49,478
Total expenses	<u>299,043</u>	<u>-</u>	<u>299,043</u>
Change in net assets	205,709	(3,000)	202,709
Net assets at beginning of year	<u>49,105</u>	<u>5,000</u>	<u>54,105</u>
<b>Net assets at end of year</b>	<u><u>\$ 254,814</u></u>	<u><u>\$ 2,000</u></u>	<u><u>\$ 256,814</u></u>

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2008**

		Management		
	Program	and General	Fundraising	Total
<b>Expenses</b>				
Salaries and wages	\$ 161,693	\$ 11,000	\$ 23,000	\$ 195,693
Payroll taxes and fringe benefits	21,440	1,453	3,048	25,941
Insurance - liability	13,174	2,855	688	16,717
Rent and utilities	8,503	1,362	3,935	13,800
Special events	-	-	8,900	8,900
Outside contract services	209	-	2,692	2,901
Telephone	2,195	98	983	3,276
Supplies	2,160	1,090	523	3,773
Equipment rental and maintenance	1,087	120	790	1,997
Postage and delivery	1,356	116	466	1,938
Travel	3,610	-	108	3,718
Printing and copying	1,520	185	1,383	3,088
Property insurance	-	333	-	333
Financing fees	490	-	435	925
Miscellaneous	1,424	-	-	1,424
Background checks	1,681	-	-	1,681
Dues and subscriptions	6,318	68	697	7,083
Depreciation expense	643	47	94	784
Professional fees	-	2,500	-	2,500
Awards and recognition	470	-	1,736	2,206
Conferences and training	365	-	-	365
Total expenses	<u>\$ 228,337</u>	<u>\$ 21,228</u>	<u>\$ 49,478</u>	<u>\$ 299,043</u>

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2008**

	<u>2008</u>
<b>Cash flows from operating activities</b>	
Change in total net assets	\$ 202,709
Items not requiring cash	
Depreciation	784
Changes in operating assets and liabilities	
Accounts receivable	(3,035)
Prepaid expenses	490
Grants receivable	(2,917)
Accounts payable	493
Accrued payroll and taxes	3,347
Accrued compensated absences	1,567
Other accrued liabilities	(94)
	<u>203,344</u>
Net cash provided by operating activities	
	<u>203,344</u>
<b>Cash flows from investing activities</b>	
Purchase of property and equipment	<u>(6,215)</u>
Net change in cash and cash equivalents	197,129
Cash and cash equivalents, beginning of year	<u>70,765</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 267,894</u></u>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2008**

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**Note 1 – Nature of the Organization**

**Organization**

Big Brothers Big Sisters of Washtenaw County (the "Organization") is a not-for-profit corporation that works to match children with positive role models who offer guidance and support in growing socially, emotionally, and academically. The Organization was originally started in 1991 as a sponsored program under the control of Huron Services for Youth, and later under the HelpSource umbrella. HelpSource ceased operations, and Big Brothers Big Sisters of Washtenaw County became an independent organization on July 23, 2007 and continues to serve the Washtenaw County area.

**Note 2 – Summary of Significant Accounting Policies**

**Basis of Presentation**

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the *Audit and Accounting Guide for Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants.

The Organization's net assets are categorized and reported as follows:

**Unrestricted Net Assets**

These net assets are available for general operations and are not subject to donor-imposed restrictions.

**Temporarily Restricted**

These net assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire, or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. The Organization has temporarily restricted funds of \$2,000 as of December 31, 2008, as reported on the statement of financial position.

**Permanently Restricted**

As of December 31, 2008, the Organization does not have any permanently restricted net assets.

**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.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents for the purpose of the statements of cash flows. Total cash and cash equivalents at December 31, 2008 in excess of FDIC insured limits was \$10,346.



**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2008**

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**Revenue Recognition**

The Organization receives revenue primarily from grants, solicitations and special event activities. All contributions are considered unrestricted unless specifically restricted by the donor. When a restriction expires, amounts are then transferred to unrestricted net assets. Contributions of non-cash assets are reflected at their fair value at the date of donation.

**Property and Equipment**

The Organization has a policy of capitalizing purchases or donations of equipment if the cost or fair market value is at least \$1,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to fifteen years.

**Donated Services**

The Organization received a significant amount of services from unpaid volunteers who assist in the Organization's activities. No amounts have been recognized in the statement of activities because the criteria for recognition under SFAS 116 have not been satisfied.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

**Tax Status**

The Organization is exempt from federal income taxes under section 501(c) (3) of the Internal Revenue Code, and is not considered a private foundation.

**Recent Accounting Pronouncements**

FASB Interpretation No. FIN 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements based on the evaluation of tax positions taken or expected to be taken in the course of preparing the Organization's tax returns and whether those tax positions are "more-likely-than-not" to be sustained by the applicable tax authority. FASB Staff Position No. FIN 48-3 permits nonpublic enterprises to, and management has elected to, defer the effective date of Interpretation 48 until fiscal years beginning after December 15, 2008.

The Organization presently recognizes income tax positions based on management's estimate of whether it is reasonably possible that a liability has been incurred for unrecognized income tax benefits by applying FASB Statement No. 5, *Accounting for Contingencies*.

**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2008**

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**Endowment Fund Held in Perpetual Trust**

The Organization entered into an agreement with the Ann Arbor Area Community Foundation (the "Foundation") to create the Big Brothers Big Sisters Endowment Fund (the "Fund"). The purpose of the Fund is to provide support in furtherance of the general program and charitable purposes of the Organization. Under the agreement, the Foundation has title to, will hold, and administer all contributions made to the Fund. The Foundation may distribute the earnings and principal of the Fund as it deems appropriate and in accordance with investment policies adopted by the Foundation to support the programs and stated charitable purpose of the Organization. The Foundation may also commingle the assets of the Fund with any other funds it may hold and administer provided that the separate identity of the Fund and the distributions made are maintained.

The Fund's combined fair market value approximates \$229,977 at December 31, 2008. The Foundation distributed \$9,187 from the fund in grants to the Organization during the year ended December 31, 2008.

This Fund does not qualify as a reciprocal transfer asset as defined in SFAS 136, *transfer of assets to a not-for-profit organization or charitable trust that raises or hold contributions for others*, therefore, no investment is reflected in the financial statements.

**Note 3 – Property and Equipment**

Property and equipment consists of the following as of December 31, 2008 :

	<b>2008</b>
Furniture and fixtures	\$ 4,193
Equipment	1,232
Computers	1,790
	<u>7,215</u>
Less accumulated depreciation	(844)
Net property and equipment	<u><u>\$ 6,371</u></u>

Depreciation expense was \$784 for the year ended December 31, 2008.

**Note 4 – Retirement Plan**

The Organization has a defined contribution salary deferral plan, and a salary reduction flexible benefit plan, which covers substantially all employees. The Organization did not elect to match employee contributions during the year ended December 31, 2008.

**Note 5 - Concentration**

The Organization received a one-time payment of \$180,000 in 2008 from HelpSource, a non-profit organization under which Big Brothers Big Sisters of Washtenaw County previously operated, until HelpSource ceased operations and Big Brothers Big Sisters of Washtenaw County became a separate entity. This contribution accounted for 36% of total revenue.

**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2008**

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**Note 6 – Temporarily Net Assets**

Temporarily restricted net assets consist of the following as of December 31, 2008:

	<b>2008</b>
James A. & Faith Knight Board Development Grant	<b>\$ 2,000</b>

Net assets were released from restrictions as follows during the year ended December 31, 2008:

	<b>2008</b>
James A. & Faith Knight Board Development Grant	<b>\$ 3,000</b>

**Note 7 – Leases**

During 2008 the Organization was leasing their office space for \$1,030 per month and the lease term ends in July 2010. Rent expense under this lease for the period ending December 31, 2008 was \$12,150. As is detailed in Note 9, the Organization signed a new lease expanding their office space in May 2009.

The future estimated minimum lease payments for office space are as follows:

2009	<b>\$ 12,515</b>
2010	<b>7,426</b>
	<b>\$ 19,941</b>

**Note 7 - Related Party Transactions**

The Organization is an affiliate of the national organization, Big Brothers Big Sisters of America (BBBSA). Annual membership dues are paid to BBBSA based upon the prior year expenditures of the Organization. For the period ended December 31, 2008 the Organization paid \$5,948 to BBBSA. In addition, during the year ended December 31, 2008 the Organization had a grant contract with BBBSA which provided for revenue of \$1,083 per month January through May, 2008. Total grant revenue received from BBBSA through the period ended December 31, 2008 was \$5,417.

**Note 8 - Subsequent Events**

In May 2009 the Organization entered into an agreement with their current landlord to expand the office space that they were leasing in the same building. The lease was modified to include the new rental rate for the expanded space of \$1,605 per month, but did not extend the term of the lease.