

**Big Brothers Big Sisters of
Washtenaw County**

**Financial Statements
and
Auditors' Report**

December 31, 2009

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6



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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) (the "Organization") as of December 31, 2009, 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. The prior year summarized comparative information has been derived from the Organization's December 31, 2008 financial statements and, in our report dated June 21, 2009, we expressed an unqualified opinion on those financial statements.

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, 2009, 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
July 13, 2010

Big Brothers Big Sisters of Washtenaw County

Statement of Financial Position

December 31, 2009 and 2008

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 90,951	\$ 267,894
Accounts receivable	-	3,035
Prepaid expenses	4,783	4,703
Grants receivable	3,750	4,000
Total current assets	99,484	279,632
Certificate of deposit	101,106	-
Property and equipment, net	6,410	6,371
Total assets	\$ 207,000	\$ 286,003
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 2,111	\$ 1,556
Accrued payroll and taxes	15,303	17,774
Accrued expenses	6,582	9,859
Total current liabilities	23,996	29,189
Net assets		
Unrestricted net assets	180,004	254,814
Temporarily restricted net assets	3,000	2,000
Total net assets	183,004	256,814
Total liabilities and net assets	\$ 207,000	\$ 286,003

See Accompanying Notes to Financial Statements

Big Brothers Big Sisters of Washtenaw County

Statement of Activities

For the Year Ended December 31, 2009 (with Comparative Totals for 2008)

	Unrestricted	Temporarily Restricted	2009	2008
Revenues and support				
Grants	\$ 77,622	\$ -	\$ 77,622	\$ 93,463
Donations	81,502	-	81,502	279,605
Special events	107,538	3,000	110,538	127,663
Interest income	1,801	-	1,801	1,021
	<u>268,463</u>	<u>3,000</u>	<u>271,463</u>	<u>501,752</u>
Net assets released from restriction	2,000	(2,000)	-	-
Total revenues and support	<u>270,463</u>	<u>1,000</u>	<u>271,463</u>	<u>501,752</u>
Expenses				
Program	226,515	-	226,515	228,337
Management and general	42,795	-	42,795	21,228
Fundraising	75,963	-	75,963	49,478
Total expenses	<u>345,273</u>	<u>-</u>	<u>345,273</u>	<u>299,043</u>
Change in net assets	(74,810)	1,000	(73,810)	202,709
Net assets at beginning of year	<u>254,814</u>	<u>2,000</u>	<u>256,814</u>	<u>54,105</u>
Net assets at end of year	<u>\$ 180,004</u>	<u>\$ 3,000</u>	<u>\$ 183,004</u>	<u>\$ 256,814</u>

See Accompanying Notes to Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Functional Expenses
For the Year Ended December 31, 2009 (with Comparative Totals for 2008)

	Program	Management and General	Fundraising	2009	2008
Expenses					
Salaries and wages	\$ 152,399	\$ 23,146	\$ 40,758	\$ 216,303	\$ 195,693
Payroll taxes and fringe benefits	21,193	3,330	5,752	30,275	25,941
Insurance - liability	14,511	3,532	595	18,638	16,717
Rent and utilities	14,174	945	3,779	18,898	13,800
Special events	-	-	9,629	9,629	8,900
Outside contract services	-	106	710	816	2,901
Telephone	2,894	152	759	3,805	3,276
Supplies	1,914	101	985	3,000	3,773
Equipment rental and maintenance	2,364	-	592	2,956	1,997
Postage and delivery	1,966	-	607	2,573	1,938
Travel	5,537	-	246	5,783	3,718
Printing and copying	-	-	3,345	3,345	3,088
Property insurance	556	33	522	1,111	333
Finance fees	-	-	1,495	1,495	925
Miscellaneous	726	563	327	1,616	1,424
Background checks	2,602	-	-	2,602	1,681
Dues and subscriptions	4,345	2,183	3,852	10,380	7,083
Depreciation expense	-	1,304	-	1,304	784
Professional fees	-	7,400	-	7,400	2,500
Awards and recognition	989	-	2,010	2,999	2,206
Conferences and training	345	-	-	345	365
Total expenses	<u>\$ 226,515</u>	<u>\$ 42,795</u>	<u>\$ 75,963</u>	<u>\$ 345,273</u>	<u>\$ 299,043</u>

See Accompanying Notes to Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Cash Flows
For the Years Ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities		
Change in net assets	\$ (73,810)	\$ 202,709
Items not requiring cash		
Depreciation	1,304	784
Interest on certificates of deposit reinvested	(1,106)	-
Changes in operating assets and liabilities		
Accounts receivable	3,035	(3,035)
Prepaid expenses	(80)	490
Grants receivable	250	(2,917)
Accounts payable	555	493
Accrued payroll and taxes	(2,471)	3,347
Accrued compensated absences	(3,277)	1,567
Other accrued liabilities	-	(94)
Net cash provided by (used in) operating activities	<u>(75,600)</u>	<u>203,344</u>
Cash flows from investing activities		
Purchase of certificates of deposit	(100,000)	-
Purchase of property and equipment	(1,343)	(6,215)
Net cash provided by (used in) investing activities	<u>(101,343)</u>	<u>(6,215)</u>
 Net change in cash and cash equivalents	 (176,943)	 197,129
Cash and cash equivalents, beginning of year	267,894	70,765
Cash and cash equivalents, end of year	<u>\$ 90,951</u>	<u>\$ 267,894</u>

See Accompanying Notes to Financial Statements

Big Brothers Big Sisters of Washtenaw County
Notes to Financial Statements
December 31, 2009

Note 1 – The 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 the Organization 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 \$3,000 and \$2,000 as of December 31, 2009 and 2008, respectively, as reported on the statement of financial position.

Permanently Restricted

Permanently restricted net assets consist of contributions that have been restricted by the donor that stipulate the resources to be maintained permanently. The income from the investment of these resources is expended for general or restricted purposes as specified by the donor. As of December 31, 2009 and 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.

Big Brothers Big Sisters of Washtenaw County
Notes to Financial Statements
December 31, 2009

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. The Organization had no cash and cash equivalents in excess of FDIC insured limits at December 31, 2009.

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 accounting principles generally accepted in the United States of America.

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.

Comparative Financial Statements

The amounts shown for the year ended December 31, 2008, in the accompanying financial statements are included to provide a basis for comparison with 2009 and present summarized totals only. Accordingly, the 2008 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's combined financial statements for the year ended December 31, 2008, from which the summarized information was derived.

Income Taxes

The Organization, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes. The Organization files informational returns in the U.S. federal jurisdiction, and the State of Michigan. The statute of limitations is generally three years for federal returns and four years for Michigan returns.

The Organization received its tax exempt status from the Internal Revenue Service (IRS) in 2006, and is currently in an advance ruling period, as is standard for all new non-profit organizations. The advance ruling period ends December 31, 2010, at which time the IRS will review additional information from the Organization and make a final ruling on the Organization's public charity status.

Big Brothers Big Sisters of Washtenaw County
Notes to Financial Statements
December 31, 2009

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 \$268,559 and \$229,977 at December 31, 2009 and 2008, respectively. The Foundation distributed \$11,244 and \$9,187 from the fund in grants to the Organization during the years ended December 31, 2009 and 2008, respectively. This is included in donations revenue on the statement of activities.

This Fund does not qualify as a reciprocal transfer asset as defined in Financial Accounting Standards Board codification titled *Transfer of Assets to a Not-for-profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, therefore, no asset is reflected in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date of the Independent Auditors' Report, which is the date the financial statements were available to be issued.

Note 3 – Property and Equipment

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

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 4,193	\$ 4,193
Equipment	1,232	1,232
Computers	<u>3,133</u>	<u>1,790</u>
	8,558	7,215
Less accumulated depreciation	<u>(2,148)</u>	<u>(844)</u>
Net property and equipment	<u><u>\$ 6,410</u></u>	<u><u>\$ 6,371</u></u>

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 years ended December 31, 2009 and 2008.

Big Brothers Big Sisters of Washtenaw County
Notes to Financial Statements
December 31, 2009

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 in 2008.

Note 6 – Temporarily Restricted Net Assets

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

	<u>2009</u>	<u>2008</u>
Special event sponsorships	\$ 3,000	\$ -
James A. & Faith Knight Board Development Grant	-	2,000
	<u>\$ 3,000</u>	<u>\$ 2,000</u>

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

	<u>2009</u>	<u>2008</u>
James A. & Faith Knight Board Development Grant	<u>\$ 2,000</u>	<u>\$ 3,000</u>

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. In May 2009 the Organization signed an amendment to the lease with the landlord to add additional space, thereby increasing the rent to \$1,605 per month. The amendment did not change the ending date of this lease. Rent expense under this lease for the years ending December 31, 2009 and 2008, was \$16,384 and \$12,150, respectively.

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

2010	<u>\$ 11,234</u>
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Subsequent to year end, in August 2010, the above-mentioned lease was amended, extending the lease until July 2013. The monthly rental rates under the amendment are \$1,605 through July 2012, and \$1,651 from August 2012 through July 2013.

Big Brothers Big Sisters of Washtenaw County
Notes to Financial Statements
December 31, 2009

Note 8 - 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 years ended December 31, 2009 and 2008, the Organization paid \$6,064 and \$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 for the year ended December 31, 2008, was \$5,417.