

**Big Brothers Big Sisters of  
Washtenaw County**

**Financial Statements  
and  
Auditors' Report**

**December 31, 2010**

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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, 2010 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, 2009 financial statements and, in our report dated July 13, 2010, 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, 2010, 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 20, 2011

# Big Brothers Big Sisters of Washtenaw County

## Statement of Financial Position

December 31, 2010 and 2009

	2010	2009
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 99,810	\$ 90,951
Prepaid expenses	4,091	4,783
Grants receivable	-	3,750
Total current assets	103,901	99,484
Certificate of deposit	105,595	101,106
Property and equipment, net	8,500	6,410
<b>Total assets</b>	<b>\$ 217,996</b>	<b>\$ 207,000</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 252	\$ 2,111
Accrued payroll and taxes	15,152	15,303
Accrued expenses	7,088	6,582
Total current liabilities	22,492	23,996
Net assets		
Unrestricted net assets	151,612	180,004
Temporarily restricted net assets	43,892	3,000
Total net assets	195,504	183,004
<b>Total liabilities and net assets</b>	<b>\$ 217,996</b>	<b>\$ 207,000</b>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Activities**  
**For the Year Ended December 31, 2010 (with Comparative Totals for 2009)**

	Unrestricted	Temporarily Restricted	2010	2009
<b>Revenues and support</b>				
Grants	\$ 66,875	\$ -	\$ 66,875	\$ 77,622
Donations	94,018	43,892	137,910	81,502
Special events	114,724	-	114,724	110,538
Interest income	4,620	-	4,620	1,801
	<u>280,237</u>	<u>43,892</u>	<u>324,129</u>	<u>271,463</u>
Net assets released from restriction	3,000	(3,000)	-	-
Total revenues and support	<u>283,237</u>	<u>40,892</u>	<u>324,129</u>	<u>271,463</u>
<b>Expenses</b>				
Program	216,415	-	216,415	226,515
Management and general	40,095	-	40,095	42,795
Fundraising	55,119	-	55,119	75,963
Total expenses	<u>311,629</u>	<u>-</u>	<u>311,629</u>	<u>345,273</u>
Change in net assets	(28,392)	40,892	12,500	(73,810)
Net assets at beginning of year	180,004	3,000	183,004	256,814
<b>Net assets at end of year</b>	<u>\$ 151,612</u>	<u>\$ 43,892</u>	<u>\$ 195,504</u>	<u>\$ 183,004</u>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2010 (with Comparative Totals for 2009)**

	<b>Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>2010</b>	<b>2009</b>
<b>Expenses</b>					
Salaries and wages	\$ 132,108	\$ 22,018	\$ 29,357	<b>\$ 183,483</b>	\$ 216,303
Payroll taxes and fringe benefits	16,860	2,810	3,747	<b>23,417</b>	30,275
Insurance - liability	13,518	1,226	1,971	<b>16,715</b>	18,638
Rent and utilities	18,950	1,561	1,784	<b>22,295</b>	18,898
Special events	-	-	9,908	<b>9,908</b>	9,629
Outside contract services	2,715	108	124	<b>2,947</b>	800
Telephone	3,160	260	297	<b>3,717</b>	3,805
Supplies	869	75	640	<b>1,584</b>	3,000
Equipment rental and maintenance	2,248	185	212	<b>2,645</b>	2,956
Postage and delivery	1,422	117	426	<b>1,965</b>	2,573
Travel	4,003	-	94	<b>4,097</b>	5,783
Printing and copying	1,000	899	1,719	<b>3,618</b>	3,345
Property insurance	599	49	56	<b>704</b>	1,111
Finance fees	-	15	776	<b>791</b>	1,459
Miscellaneous	739	63	72	<b>874</b>	1,668
Background checks	2,331	-	-	<b>2,331</b>	2,602
Dues and subscriptions	12,784	298	341	<b>13,423</b>	10,380
Depreciation expense	-	2,161	-	<b>2,161</b>	1,304
Professional fees	-	8,250	-	<b>8,250</b>	7,400
Awards and recognition	3,069	-	3,595	<b>6,664</b>	2,999
Conferences and training	40	-	-	<b>40</b>	345
Total expenses	<b>\$ 216,415</b>	<b>\$ 40,095</b>	<b>\$ 55,119</b>	<b>\$ 311,629</b>	<b>\$ 345,273</b>

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 12,500	\$ (73,810)
Items not requiring cash		
Depreciation	2,161	1,304
Interest on certificates of deposit reinvested	(4,489)	(1,106)
Changes in operating assets and liabilities		
Accounts receivable	-	3,035
Prepaid expenses	692	(80)
Grants receivable	3,750	250
Accounts payable	(1,859)	555
Accrued payroll and taxes	(151)	(2,471)
Accrued expenses	506	(3,277)
Net cash provided by (used in) operating activities	<u>13,110</u>	<u>(75,600)</u>
<b>Cash flows from investing activities</b>		
Purchase of certificates of deposit	-	(100,000)
Purchase of property and equipment	(4,251)	(1,343)
Net cash provided by (used in) investing activities	<u>(4,251)</u>	<u>(101,343)</u>
Net change in cash and cash equivalents	8,859	(176,943)
Cash and cash equivalents, beginning of year	90,951	267,894
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 99,810</u></u>	<u><u>\$ 90,951</u></u>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2010**

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**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 \$43,892 and \$3,000 as of December 31, 2010 and 2009, 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, 2010 and 2009, 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**  
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**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, 2010.

**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, 2009, in the accompanying financial statements are included to provide a basis for comparison with 2010 and present summarized totals only. Accordingly, the 2009 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, 2009, 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, 2011, 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**  
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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 \$287,883 and \$268,559 at December 31, 2010 and 2009, respectively. The Foundation distributed \$12,577 and \$11,244 from the fund in grants to the Organization during the years ended December 31, 2010 and 2009, 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:

	<b>2010</b>	<b>2009</b>
Furniture and fixtures	\$ 5,010	\$ 4,193
Equipment	1,232	1,232
Computers	<u>6,568</u>	<u>3,133</u>
	<b>12,810</b>	<b>8,558</b>
Less accumulated depreciation	<u>(4,310)</u>	<u>(2,148)</u>
Net property and equipment	<u><b>\$ 8,500</b></u>	<u><b>\$ 6,410</b></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, 2010 and 2009.

**Big Brothers Big Sisters of Washtenaw County**  
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**Note 5 – Temporarily Restricted Net Assets**

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

	<u>2010</u>	<u>2009</u>
Nagy family donation	\$ 41,700	\$ -
Buhr donation	1,692	-
Mentor Michigan donation	500	-
Special event sponsorships	-	3,000
	<u>\$ 43,892</u>	<u>\$ 3,000</u>

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

	<u>2010</u>	<u>2009</u>
Special event sponsorships	\$ 3,000	\$ 2,000

**Note 6 – Leases**

During 2008 the Organization was leasing their office space for \$1,030 per month and the lease term ended 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. In August 2010 the Organization signed another amendment extending lease to July 2013. The monthly rental rates under the amendment are \$1,605 through July 2012, and \$1,651 from August 2012 through July 2013. Rent expense under this lease for the years ending December 31, 2010 and 2009, was \$19,259 and \$16,384, respectively.

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

2011	\$ 19,259
2012	16,488
2013	11,555
Total	<u>\$ 47,302</u>

**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 years ended December 31, 2010 and 2009, the Organization paid \$6,165 and \$6,064 to BBBSA.