

**Big Brothers Big Sisters of  
Washtenaw County**

**Financial Statements  
and  
Auditors' Report**

**December 31, 2012**

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## **Independent Auditors' Report**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Big Brothers Big Sisters of Washtenaw County (a Michigan nonprofit organization) (the "Organization") which comprise the statement of financial position as of December 31, 2012 and the related statements of activities, functional expenses and cash flows 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.

### ***Auditors' 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 of 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 auditors' 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 Washtenaw County as of December 31, 2012, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited Big Brothers Big Sisters of Washtenaw County's December 31, 2011, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 13, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
June 28, 2013

# Big Brothers Big Sisters of Washtenaw County

## Statement of Financial Position

December 31, 2012 and 2011

	2012	2011
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 135,651	\$ 60,217
Prepaid expenses	11,747	19,955
Total current assets	<u>147,398</u>	<u>80,172</u>
Certificate of deposit	107,712	106,913
Property and equipment, net	7,304	8,187
<b>Total assets</b>	<u><u>\$ 262,414</u></u>	<u><u>\$ 195,272</u></u>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 823	\$ 816
Accrued payroll and taxes	17,994	12,805
Accrued expenses	12,164	7,959
Total current liabilities	<u>30,981</u>	<u>21,580</u>
Net assets		
Unrestricted net assets	203,533	124,432
Temporarily restricted net assets	27,900	49,260
Total net assets	<u>231,433</u>	<u>173,692</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 262,414</u></u>	<u><u>\$ 195,272</u></u>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Activities**  
**For the Year Ended December 31, 2012 (with Comparative Totals for 2011)**

	Unrestricted	Temporarily Restricted	2012	2011
<b>Revenues and support</b>				
Grants	\$ 150,871	\$ -	<b>\$ 150,871</b>	\$ 67,716
Donations	201,369	-	<b>201,369</b>	102,736
Special events	132,735	-	<b>132,735</b>	126,224
Interest income	868	-	<b>868</b>	1,440
	<u>485,843</u>	<u>-</u>	<b><u>485,843</u></b>	<u>298,116</u>
Net assets released from restriction	21,360	(21,360)	<b>-</b>	-
	<u>507,203</u>	<u>(21,360)</u>	<b><u>485,843</u></b>	<u>298,116</u>
<b>Expenses</b>				
Program	266,774	-	<b>266,774</b>	217,852
Management and general	34,271	-	<b>34,271</b>	47,064
Fundraising	127,057	-	<b>127,057</b>	61,012
Total expenses	<u>428,102</u>	<u>-</u>	<b><u>428,102</u></b>	<u>325,928</u>
Change in net assets	79,101	(21,360)	<b>57,741</b>	(27,812)
Net assets at beginning of year	<u>124,432</u>	<u>49,260</u>	<b><u>173,692</u></b>	<u>201,504</u>
<b>Net assets at end of year</b>	<u><u>\$ 203,533</u></u>	<u><u>\$ 27,900</u></u>	<b><u><u>\$ 231,433</u></u></b>	<u><u>\$ 173,692</u></u>

See Accompanying Notes to Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2012 (with Comparative Totals for 2011)**

	Program	Management and General	Fundraising	2012	2011
<b>Expenses</b>					
Salaries and wages	\$ 169,588	\$ 15,079	\$ 70,774	<b>\$ 255,441</b>	\$ 180,049
Payroll taxes and fringe benefits	17,151	1,479	6,782	<b>25,412</b>	20,285
Insurance - liability	10,963	1,072	5,260	<b>17,295</b>	15,445
Rent and utilities	16,119	1,347	6,203	<b>23,669</b>	23,373
Special events	-	-	11,009	<b>11,009</b>	11,892
Outside contract services	18,138	149	1,564	<b>19,851</b>	11,550
Telephone	2,032	170	786	<b>2,988</b>	3,111
Supplies	3,793	554	1,828	<b>6,175</b>	3,828
Equipment rental and maintenance	2,048	170	786	<b>3,004</b>	3,126
Postage and delivery	1,499	57	1,980	<b>3,536</b>	2,724
Travel	7,207	495	1,701	<b>9,403</b>	5,527
Printing and copying	2,146	8	4,992	<b>7,146</b>	7,147
Property insurance	292	589	126	<b>1,007</b>	1,068
Finance fees	80	88	3,318	<b>3,486</b>	2,140
Miscellaneous	1,256	168	3,222	<b>4,646</b>	3,044
Background checks	3,009	-	-	<b>3,009</b>	3,058
Dues and subscriptions	10,232	749	2,580	<b>13,561</b>	13,123
Depreciation expense	-	2,938	-	<b>2,938</b>	2,464
Professional fees	-	8,975	-	<b>8,975</b>	8,700
Awards and recognition	908	169	3,960	<b>5,037</b>	3,814
Conferences and training	313	15	186	<b>514</b>	460
Total expenses	<u>\$ 266,774</u>	<u>\$ 34,271</u>	<u>\$ 127,057</u>	<u><b>\$ 428,102</b></u>	<u>\$ 325,928</u>

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Cash Flows**  
**For the Years Ended December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 57,741	\$ (27,812)
Items not requiring cash		
Depreciation	2,938	2,464
Interest on certificates of deposit reinvested	(799)	(1,318)
Changes in operating assets and liabilities		
Prepaid expenses	8,208	(9,864)
Accounts payable	7	564
Accrued payroll and taxes	5,189	(2,347)
Accrued expenses	4,205	871
Net cash (used in)provided by operating activities	<u>77,489</u>	<u>(37,442)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	<u>(2,055)</u>	<u>(2,151)</u>
Net change in cash and cash equivalents	75,434	(39,593)
Cash and cash equivalents, beginning of year	60,217	99,810
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 135,651</u></u>	<u><u>\$ 60,217</u></u>

See Accompanying Notes to Financial Statements



**Big Brothers Big Sisters of Washtenaw County**  
**Notes to Financial Statements**  
**December 31, 2012**

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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 \$27,900 and \$49,260 as of December 31, 2012 and 2011, 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, 2012 and 2011, 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.

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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, 2012.

**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, 2011, in the accompanying financial statements are included to provide a basis for comparison with 2012 and present summarized totals only. Accordingly, the 2011 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 financial statements for the year ended December 31, 2011, 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.

**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

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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 \$288,981 and \$269,249 at December 31, 2012 and 2011, respectively. The Foundation distributed \$12,005 and \$12,430 from the fund in grants to the Organization during the years ended December 31, 2012 and 2011, 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>2012</b>	2011
Furniture and fixtures	<b>\$ 5,370</b>	\$ 5,010
Computers	<b>11,645</b>	9,950
	<b>17,015</b>	14,960
Less accumulated depreciation	<b>(9,711)</b>	(6,773)
Net property and equipment	<b>\$ 7,304</b>	\$ 8,187

**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, 2012 and 2011.

**Note 5 – Temporarily Restricted Net Assets**

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

	<b>2012</b>	2011
Nagy family donation	<b>\$ 27,900</b>	\$ 34,260
Capacity building	<b>-</b>	15,000
	<b>\$ 27,900</b>	\$ 49,260

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

	<b>2012</b>	2011
Nagy family donation	\$ <b>6,360</b>	\$ 7,440
Capacity building	<b>15,000</b>	-
Buhr donation	-	1,692
Mentor Michigan donation	-	500
	<b><u>\$ 21,360</u></b>	<b><u>\$ 9,632</u></b>

**Note 6 – Leases**

The Organization signed an amendment extending their office space lease to February 2018. The monthly rental rates under the amendment range from \$1,650 through \$2,297 per month through February 2018. Rent expense under this lease for the years ending December 31, 2012 and 2011, was \$19,488 and \$19,259, respectively.

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

2013	\$ <b>24,029</b>
2014	<b>25,433</b>
2015	<b>26,106</b>
2016	<b>26,778</b>
2017	<b>27,450</b>
2018	<b>4,594</b>
Total	<b><u>\$ 134,390</u></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 years ended December 31, 2012 and 2011, the Organization paid \$6,680 and \$6,392 to BBBSA.