

**Big Brothers Big Sisters of
Washtenaw County**

Financial Statements

**December 31, 2015
(With Summarized Comparative
Information for 2014)**

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Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters of Washtenaw County

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Washtenaw County which comprise the statement of financial position as of December 31, 2015, 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, 2015, 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.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Washtenaw County's December 31, 2014, financial statements, and our report dated July 13, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
July 11, 2016

Big Brothers Big Sisters of Washtenaw County
Statement of Financial Position
December 31, 2015
(With Summarized Comparative Information for 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 110,021	\$ 94,530
Receivables, net	14,040	4,620
Prepaid expenses	<u>3,173</u>	<u>3,218</u>
Total current assets	<u>127,234</u>	<u>102,368</u>
Certificate of deposit	-	57,420
Property and equipment, net	<u>2,350</u>	<u>2,793</u>
Total assets	<u>\$ 129,584</u>	<u>\$ 162,581</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 1,477	\$ 1,467
Accrued payroll and taxes	20,513	15,030
Accrued expenses	<u>13,910</u>	<u>10,946</u>
Total current liabilities	<u>35,900</u>	<u>27,443</u>
Net assets		
Unrestricted net assets	83,684	135,138
Temporarily restricted net assets	<u>10,000</u>	<u>-</u>
Total net assets	<u>93,684</u>	<u>135,138</u>
Total liabilities and net assets	<u>\$ 129,584</u>	<u>\$ 162,581</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Activities
For the Year Ended December 31, 2015
(With Summarized Comparative Information for 2014)

	Unrestricted	Temporarily Restricted	2015	2014
Revenues and support				
Donations	\$ 278,236	\$ 10,000	\$ 288,236	\$ 279,158
Grants	90,472	-	90,472	53,700
Special events	116,587	-	116,587	114,409
Interest income	125	-	125	261
	<u>485,420</u>	<u>10,000</u>	<u>495,420</u>	<u>447,528</u>
Expenses				
Program	336,331	-	336,331	322,015
Management and general	31,345	-	31,345	30,484
Fundraising	169,198	-	169,198	165,322
Total expenses	<u>536,874</u>	<u>-</u>	<u>536,874</u>	<u>517,821</u>
Change in net assets	(51,454)	10,000	(41,454)	(70,293)
Net assets - beginning of year	<u>135,138</u>	<u>-</u>	<u>135,138</u>	<u>205,431</u>
Net assets - end of year	<u>\$ 83,684</u>	<u>\$ 10,000</u>	<u>\$ 93,684</u>	<u>\$ 135,138</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Functional Expenses
For the Year Ended December 31, 2015
(With Summarized Comparative Information for 2014)

	Program	Management and General	Fundraising	2015	2014
Expenses					
Salaries and wages	\$ 226,376	\$ 15,705	\$ 96,533	\$ 338,614	\$ 271,115
Payroll taxes and fringe benefits	30,872	1,177	13,069	45,118	31,966
Bad debt expense	-	-	300	300	43,592
Insurance - liability	13,708	383	2,208	16,299	16,272
Rent and utilities	22,449	1,203	7,026	30,678	29,594
Special events rent	-	-	10,249	10,249	8,911
Outside contract services	7,499	654	7,634	15,787	23,980
Telephone	3,163	134	816	4,113	3,164
Supplies	4,560	365	3,167	8,092	16,945
Equipment rental and maintenance	2,147	116	670	2,933	2,604
Postage and delivery	1,279	254	2,919	4,452	4,081
Travel	3,726	279	1,202	5,207	3,839
Printing and copying	4,150	68	7,140	11,358	17,493
Property insurance	486	23	134	643	629
Finance fees	10	166	4,276	4,452	3,024
Miscellaneous	648	137	4,340	5,125	7,837
Background checks	3,329	-	-	3,329	3,321
Dues and subscriptions	9,234	717	5,024	14,975	13,705
Depreciation expense	62	1,034	470	1,566	2,413
Professional fees	-	8,900	-	8,900	9,460
Awards and recognition	2,633	30	2,021	4,684	2,658
Conferences and training	-	-	-	-	1,218
Total expenses	<u>\$ 336,331</u>	<u>\$ 31,345</u>	<u>\$ 169,198</u>	<u>\$ 536,874</u>	<u>\$ 517,821</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Cash Flows
December 31, 2015
(With Summarized Comparative Information for 2014)

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Change in net assets	\$ (41,454)	\$ (70,293)
Items not requiring cash		
Depreciation	1,566	2,413
Bad debt expense	300	43,592
Changes in operating assets and liabilities		
Receivables	(9,720)	(4,620)
Prepaid expenses	45	9,482
Accounts payable	10	322
Accrued payroll and taxes	5,483	950
Accrued expenses	<u>2,964</u>	<u>5,226</u>
Net cash used by operating activities	<u>(40,806)</u>	<u>(12,928)</u>
Cash flows from investing activities		
Interest on certificate of deposit	62	(237)
Redemption of certificate of deposit	57,358	-
Purchase of property and equipment	<u>(1,123)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>56,297</u>	<u>(237)</u>
 Net change in cash and cash equivalents	 15,491	 (13,165)
Cash and cash equivalents - beginning of year	<u>94,530</u>	<u>107,695</u>
Cash and cash equivalents - end of year	<u><u>\$ 110,021</u></u>	<u><u>\$ 94,530</u></u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2015
(With Summarized Comparative Information for December 31, 2014)

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.

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, 2015 and 2014, 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. The Organization had no cash and cash equivalents in excess of FDIC insured limits at December 31, 2015.

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
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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.

Accounts Receivable

Accounts receivables are for revenue earned but not yet paid. The Organization performed services under a contract with Big Brothers Big Sisters of America and payments were frozen on a national level.

The allowance for doubtful account is based on factors such as historical data, risk of collection and other knowledge of the Organization. The Organization has recorded an allowance for doubtful accounts of \$0 and \$87,184 at December 31, 2015 and 2014, respectively.

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. The amounts will be utilized in the next year.

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 \$500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to fifteen years.

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, 2014, in the accompanying financial statements are included to provide a basis for comparison with 2015 and present summarized totals only. Accordingly, the 2014 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, 2014, 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.

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.

Big Brothers Big Sisters of Washtenaw County
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The Fund's combined fair market value approximates \$296,063 and \$317,151 at December 31, 2015 and 2014, respectively. The Foundation distributed \$12,125 and \$11,542 from the fund in grants to the Organization during the years ended December 31, 2015 and 2014, 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 July 11, 2016, which is the date the financial statements were available to be issued.

Note 3 – Receivables

Receivables consists of the following as of December 31:

	2015	2014
Accounts receivable	\$ 5,040	\$ 87,184
Pledges receivable	9,000	4,620
Less: allowance for bad debt	-	(87,184)
Accounts receivable, net	<u>\$ 14,040</u>	<u>\$ 4,620</u>

Note 4 – Property and Equipment

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

	2015	2014
Furniture and fixtures	\$ 6,133	\$ 5,010
Computers	12,865	12,865
	18,998	17,875
Less accumulated depreciation	(16,648)	(15,082)
Net property and equipment	<u>\$ 2,350</u>	<u>\$ 2,793</u>

Note 5 – Temporarily Restricted Net Assets

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

	2015	2014
Marketing and Special Events	<u>\$ 10,000</u>	<u>\$ -</u>

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

	2015	2014
Nagy family donation	<u>\$ -</u>	<u>\$ 14,627</u>

Big Brothers Big Sisters of Washtenaw County
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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, 2015 and 2014, was \$26,105 and \$25,433, respectively.

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

<u>For the Year Ended December 31,</u>	
2016	\$ 26,778
2017	27,450
2018	<u>4,594</u>
Total	<u>\$ 58,822</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, 2015 and 2014, the Organization paid \$7,774 and \$6,280 to BBBSA.