

**Big Brothers Big Sisters of
Washtenaw County**

Financial Statements

**December 31, 2019
(With Summarized Comparative
Information for 2018)**



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Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters of Washtenaw County
Ypsilanti, MI

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, 2019, 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, 2019, 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.

Adoption of New Accounting Standards

As described in Note 2 to the financial statements, Big Brothers Big Sisters of Washtenaw County changed its method of accounting for contributions in 2019 as required by the provisions of FASB Accounting Standards Update 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Washtenaw County's December 31, 2018, financial statements, and our report dated July 17, 2019 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, 2018 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 17, 2020

Big Brothers Big Sisters of Washtenaw County
Statement of Financial Position
December 31, 2019
(With Summarized Comparative Information for 2018)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 306,583	\$ 330,796
Pledges receivables, net	8,661	78,249
Prepaid expenses	4,494	4,654
Grants receivable	12,594	-
Total current assets	332,332	413,699
Pledges receivables, net	129,979	27,906
Property and equipment, net	2,820	4,676
Total assets	\$ 465,131	\$ 446,281
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 1,768	\$ 2,099
Accrued payroll and taxes	28,960	24,827
Accrued expenses	15,090	14,812
Total current liabilities	45,818	41,738
Net assets		
Without donor restrictions		
Unrestricted net assets	280,673	291,248
With donor restrictions		
Time-restricted for future periods	138,640	113,295
Total net assets	419,313	404,543
Total liabilities and net assets	\$ 465,131	\$ 446,281

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Activities
For the Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	Without Donor Restrictions	With Donor Restrictions	2019	2018
Revenues and support				
Donations	\$ 110,539	\$ 233,474	\$ 344,013	\$ 139,237
Grants	81,547	-	81,547	73,363
Special events	259,922	-	259,922	285,499
Interest income	405	-	405	535
Net assets released from restrictions	<u>208,129</u>	<u>(208,129)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>660,542</u>	<u>25,345</u>	<u>685,887</u>	<u>498,634</u>
Expenses				
Program	419,018	-	419,018	358,789
Management and general	79,294	-	79,294	84,732
Fundraising	<u>172,805</u>	<u>-</u>	<u>172,805</u>	<u>154,508</u>
Total expenses	<u>671,117</u>	<u>-</u>	<u>671,117</u>	<u>598,029</u>
Change in net assets	(10,575)	25,345	14,770	(99,395)
Net assets - beginning of year	<u>291,248</u>	<u>113,295</u>	<u>404,543</u>	<u>503,938</u>
Net assets - end of year	<u>\$ 280,673</u>	<u>\$ 138,640</u>	<u>\$ 419,313</u>	<u>\$ 404,543</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, 2019
(With Summarized Comparative Information for 2018)

	Program	Management and General	Fundraising	2019	2018
Expenses					
Salaries and wages	\$ 279,803	\$ 28,333	\$ 84,699	\$ 392,835	\$ 345,701
Payroll taxes and fringe benefits	31,585	3,250	9,881	44,716	40,116
Bad debt expense	-	23,500	-	23,500	28,744
Insurance - liability	15,402	769	2,417	18,588	16,237
Rent and utilities	24,598	2,412	14,412	41,422	38,378
Outside contract services	5,734	11,244	9,445	26,423	27,468
Telephone	3,536	338	841	4,715	4,167
Supplies	9,047	449	3,032	12,528	8,085
Equipment rental and maintenance	1,983	196	614	2,793	2,793
Postage and delivery	1,048	79	1,782	2,909	3,575
Travel	5,736	511	1,687	7,934	3,916
Printing and copying	3,201	78	3,561	6,840	7,307
Property insurance	862	90	268	1,220	994
Finance fees	86	118	8,236	8,440	8,499
Miscellaneous	3,388	1,521	7,615	12,524	12,413
Background checks	4,149	35	-	4,184	5,325
Dues and subscriptions	15,771	1,384	6,698	23,853	17,006
Depreciation expense	1,206	167	483	1,856	1,884
Professional fees	2,343	4,596	3,861	10,800	10,655
Awards and recognition	6,636	145	13,025	19,806	13,870
Conferences and training	2,904	79	248	3,231	896
Total expenses	<u>\$ 419,018</u>	<u>\$ 79,294</u>	<u>\$ 172,805</u>	<u>\$ 671,117</u>	<u>\$ 598,029</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Cash Flows
For the Year Ended December 31, 2019
(With Summarized Comparative Information for 2018)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Change in net assets	\$ 14,770	\$ (99,395)
Items not requiring cash		
Depreciation	1,856	1,884
Bad debt expense	23,500	28,744
Changes in operating assets and liabilities		
Pledges receivable	(55,985)	121,012
Prepaid expenses	160	(976)
Grants receivable	(12,594)	10,097
Accounts payable	(331)	(6,429)
Accrued payroll and taxes	4,133	5,303
Accrued expenses	278	1,540
Deferred revenue	-	(5,000)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	(24,213)	56,780
Cash and cash equivalents - beginning of year	<u>330,796</u>	<u>274,016</u>
Cash and cash equivalents - end of year	<u>\$ 306,583</u>	<u>\$ 330,796</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2019
(With Summarized Comparative Information for December 31, 2018)

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.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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's entire cash and cash equivalents balance were FDIC insured at December 31, 2019.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2019

(With Summarized Comparative Information for December 31, 2018)

Revenue Recognition

The Organization receives revenue primarily from grants, solicitations and special event activities. All contributions are considered without donor restrictions unless specifically restricted by the donor. When a restriction expires, amounts are then transferred to net assets without donor restrictions. Contributions of non-cash assets are reflected at their fair value at the date of donation. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants Receivable

The Organization records grant revenue for reimbursement and service based contracts. The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary for grants as of December 31, 2019 and 2018. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions include the lines described on the statement of activities as donations.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

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 \$15,200 and \$25,100 at December 31, 2019 and 2018, 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 Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation and occupancy. These expenses are allocated based on a time and cost study of where efforts are made.

Comparative Financial Statements

The amounts shown for the year ended December 31, 2018, in the accompanying financial statements are included to provide a basis for comparison with 2019 and present summarized totals only. Accordingly, the 2018 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, 2018, from which the summarized information was derived.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2019

(With Summarized Comparative Information for December 31, 2018)

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.

The Fund's combined fair market value approximates \$341,716 and \$303,635 at December 31, 2019 and 2018, respectively. The Foundation distributed \$12,973 and \$12,856 from the fund in grants to the Organization during the years ended December 31, 2019 and 2018, 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 17, 2020, which is the date the financial statements were available to be issued.

Change in Accounting Principle

The Organization adopted ASU 2018-08 Not-for-Profit Entities (Topic 958) *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* as of the beginning of the year ended December 31, 2019. This has been adopted using a modified prospective approach. Net assets did not change as a result of adoption of the new standard.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2019

(With Summarized Comparative Information for December 31, 2018)

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2019	2018
Cash and cash equivalents	\$ 306,583	\$ 330,796
Pledges receivables	8,661	78,249
Grants receivable	12,594	-
Total financial assets - end of year	327,838	409,045
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	8,661	85,389
Financial assets available to meet cash needs for general expenditures within one year	\$ 319,177	\$ 323,656

The Organization's goal is generally to maintain financial assets to meet 15-20% of annual operating expenses. The Organization also has an endowment fund that disburses funds annually at 5% of the annual rolling average.

Note 4 – Promises to Give

Promises to give on the statement of activities consist of:

	2019	2018
Pledges receivable	\$ 156,767	\$ 133,477
Less: allowance for bad debt	(15,200)	(25,100)
Less: net present value adjustment	(2,927)	(2,222)
Pledges receivables, net	\$ 138,640	\$ 106,155

Promises to give are scheduled to be collected as follows:

For the Year Ended December 31,	
2020	\$ 8,661
2021	53,290
2022	38,800
2023	28,916
2024	27,100
Total	\$ 156,767

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2019

(With Summarized Comparative Information for December 31, 2018)

Management has elected the fair value option for promises to give in order to simplify the accounting for promises to give made in multiple years. The promises to give are discounted using the applicable federal rate of 1.69%.

Promises to give activity for December 31 is detailed as follows:

	2019	2018
Balance beginning of the year	\$ 106,155	\$ 255,911
Add: new pledges	233,474	34,520
Less: collections	(210,184)	(172,532)
Less: change in allowance for bad debt	9,900	(13,737)
Less: change in net present value adjustment	(705)	1,993
Balance end of the year	\$ 138,640	\$ 106,155

Note 5 – Property and Equipment

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

	2019	2018
Furniture and fixtures	\$ 5,010	\$ 5,010
Computers	21,785	21,785
	26,795	26,795
Less accumulated depreciation	(23,975)	(22,119)
Net property and equipment	\$ 2,820	\$ 4,676

Note 6 – Net Assets With Donor Restrictions

Net Assets With Donor Restrictions consist of the following as of December 31:

	2019	2018
Subject to the passage of time:		
Multi-year pledges	\$ 138,640	\$ 106,155
Subject to expenditure for specified purpose:		
Marketing and special events	-	7,140
	\$ 138,640	\$ 113,295

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

	2019	2018
Expiration of time restrictions		
Multi-year pledges	\$ 200,989	\$ 199,854
Satisfaction of purpose		
Marketing and special events	7,140	7,887
	\$ 208,129	\$ 207,741

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2019

(With Summarized Comparative Information for December 31, 2018)

Note 7 – Leases

In September 2016, the Organization signed a 5 year lease for their office space ending August 2021. The monthly rental rates under the lease range from \$2,417 through \$2,720 per month through August 31, 2021 increasing 3% annually. Rent expense under these leases for the years ending December 31, 2019 and 2018, was \$31,074 and \$30,169, respectively.

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

For the Year Ended December 31,	
2020	\$ 32,006
2021	<u>21,760</u>
Total	<u>\$ 53,766</u>

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, 2019 and 2018, the Organization paid \$15,227 and \$15,442 to BBBSA. As of December 31, 2019 and 2018, no amounts were due to BBBSA. The Organization also receives grant revenue passed through BBBSA. For the years ended December 31, 2019 and 2018, the Organization recognized \$61,845 and \$43,903 in grant revenue from BBBSA as a pass-through entity, respectively. As of December 31, 2019 and 2018, \$12,594 and \$0 of grant revenue was receivable from BBBSA, respectively.

Note 9 – Subsequent Event – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Organization's ability to hold in person fundraising events has been hindered, but has since pivoted to virtual activities. The Organization has obtained an SBA Payroll Protection Program Loan in the amount of \$88,641 to aid in the cash flow impact of the pandemic.