

**Big Brothers Big Sisters of  
Washtenaw County**

**Financial Statements**

**December 31, 2018  
(With Summarized Comparative  
Information for 2017)**



## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7



800.968.0010 | yeoandyeo.com

## 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, 2018, 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, 2018, 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 changed its method of accounting for net assets and functional expenses in 2018 as required by the provisions of FASB Accounting Standards Update 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. 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, 2017, financial statements, and our report dated June 12, 2018 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, 2017 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, 2019

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Financial Position**  
**December 31, 2018**  
**(With Summarized Comparative Information for 2017)**

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 330,796	\$ 274,016
Pledges receivables, net	78,249	140,895
Prepaid expenses	4,654	3,678
Grants receivable	-	10,097
Total current assets	413,699	428,686
Pledges receivables, net	27,906	115,016
Property and equipment, net	4,676	6,560
<b>Total assets</b>	<b>\$ 446,281</b>	<b>\$ 550,262</b>
<b>Liabilities and net assets</b>		
Current liabilities		
Accounts payable	\$ 2,099	\$ 8,528
Accrued payroll and taxes	24,827	19,524
Accrued expenses	14,812	13,272
Deferred revenue	-	5,000
Total current liabilities	41,738	46,324
Net assets		
Without donor restrictions		
Unrestricted net assets	291,248	224,562
With donor restrictions		
Time-restricted for future periods	113,295	279,376
Total net assets	404,543	503,938
<b>Total liabilities and net assets</b>	<b>\$ 446,281</b>	<b>\$ 550,262</b>

See Accompanying Notes to the Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**  
**(With Summarized Comparative Information for 2017)**

	Without Donor Restrictions	With Donor Restrictions	<b>2018</b>	2017
<b>Revenues and support</b>				
Donations	\$ 97,577	\$ 41,660	<b>\$ 139,237</b>	\$ 223,312
Grants	73,363	-	<b>73,363</b>	129,209
Special events	285,499	-	<b>285,499</b>	251,836
Interest income	535	-	<b>535</b>	94
Net assets released from restrictions	<u>207,741</u>	<u>(207,741)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>664,715</u>	<u>(166,081)</u>	<u><b>498,634</b></u>	<u>604,451</u>
<b>Expenses</b>				
Program	358,789	-	<b>358,789</b>	331,602
Management and general	84,732	-	<b>84,732</b>	64,621
Fundraising	<u>154,508</u>	<u>-</u>	<u><b>154,508</b></u>	<u>141,467</u>
Total expenses	<u>598,029</u>	<u>-</u>	<u><b>598,029</b></u>	<u>537,690</u>
Change in net assets	66,686	(166,081)	<b>(99,395)</b>	66,761
Net assets - beginning of year	<u>224,562</u>	<u>279,376</u>	<u><b>503,938</b></u>	<u>437,177</u>
<b>Net assets - end of year</b>	<u><b>\$ 291,248</b></u>	<u><b>\$ 113,295</b></u>	<u><b>\$ 404,543</b></u>	<u><b>\$ 503,938</b></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, 2018**  
**(With Summarized Comparative Information for 2017)**

	Program	Management and General	Fundraising	<b>2018</b>	2017
<b>Expenses</b>					
Salaries and wages	\$ 240,748	\$ 28,675	\$ 76,278	<b>\$ 345,701</b>	\$ 306,959
Payroll taxes and fringe benefits	28,144	3,320	8,652	<b>40,116</b>	35,611
Bad debt expense	-	28,744	-	<b>28,744</b>	18,833
Insurance - liability	13,953	581	1,703	<b>16,237</b>	15,144
Rent and utilities	24,314	2,694	11,370	<b>38,378</b>	38,697
Outside contract services	8,923	11,282	7,263	<b>27,468</b>	29,916
Telephone	3,097	348	722	<b>4,167</b>	4,105
Supplies	6,432	516	1,137	<b>8,085</b>	8,221
Equipment rental and maintenance	1,997	223	573	<b>2,793</b>	2,319
Postage and delivery	802	53	2,720	<b>3,575</b>	3,887
Travel	3,086	399	431	<b>3,916</b>	6,640
Printing and copying	1,313	71	5,923	<b>7,307</b>	5,381
Property insurance	700	77	217	<b>994</b>	445
Finance fees	671	130	7,698	<b>8,499</b>	6,031
Miscellaneous	2,720	966	8,727	<b>12,413</b>	9,337
Background checks	5,259	66	-	<b>5,325</b>	5,587
Dues and subscriptions	8,166	1,907	6,933	<b>17,006</b>	21,171
Depreciation expense	1,356	132	396	<b>1,884</b>	2,200
Professional fees	3,516	4,369	2,770	<b>10,655</b>	10,400
Awards and recognition	2,896	122	10,852	<b>13,870</b>	4,671
Conferences and training	696	57	143	<b>896</b>	2,135
Total expenses	<u>\$ 358,789</u>	<u>\$ 84,732</u>	<u>\$ 154,508</u>	<u><b>\$ 598,029</b></u>	<u>\$ 537,690</u>

See Accompanying Notes to the Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Statement of Cash Flows**  
**December 31, 2018**  
**(With Summarized Comparative Information for 2017)**

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (99,395)	\$ 66,761
Items not requiring cash		
Depreciation	1,884	2,200
Bad debt expense	28,744	18,833
Changes in operating assets and liabilities		
Pledges receivable	121,012	36,444
Prepaid expenses	(976)	(55)
Grants receivable	10,097	10,315
Accounts payable	(6,429)	6,849
Accrued payroll and taxes	5,303	1,782
Accrued expenses	1,540	240
Deferred revenue	(5,000)	-
	<u>56,780</u>	<u>143,369</u>
Net cash provided by operating activities	56,780	143,369
Cash and cash equivalents - beginning of year	<u>274,016</u>	<u>130,647</u>
<b>Cash and cash equivalents - end of year</b>	<u>\$ 330,796</u>	<u>\$ 274,016</u>

See Accompanying Notes to the Financial Statements

**Big Brothers Big Sisters of Washtenaw County**  
**Notes to the Financial Statements**  
**December 31, 2018**  
**(With Summarized Comparative Information for December 31, 2017)**

---

**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 had \$59,336 in cash and cash equivalents in excess of FDIC insured limits at 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.

# Big Brothers Big Sisters of Washtenaw County

## Notes to the Financial Statements

December 31, 2018

(With Summarized Comparative Information for December 31, 2017)

---

### 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, 2018 and 2017. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

### Pledges Receivable

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 \$25,100 and \$11,363 at December 31, 2018 and 2017, 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, 2017, in the accompanying financial statements are included to provide a basis for comparison with 2018 and present summarized totals only. Accordingly, the 2017 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, 2017, 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.

# Big Brothers Big Sisters of Washtenaw County

## Notes to the Financial Statements

December 31, 2018

(With Summarized Comparative Information for December 31, 2017)

---

### 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 \$303,635 and \$334,526 at December 31, 2018 and 2017, respectively. The Foundation distributed \$12,856 and \$12,654 from the fund in grants to the Organization during the years ended December 31, 2018 and 2017, 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, 2019, which is the date the financial statements were available to be issued.

### Change in Accounting Principle

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

### 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:

	<u>Total</u>
Cash and cash equivalents	\$ 330,796
Pledges receivables, net	<u>78,249</u>
	<u>\$ 409,045</u>

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.

# Big Brothers Big Sisters of Washtenaw County

## Notes to the Financial Statements

December 31, 2018

(With Summarized Comparative Information for December 31, 2017)

### Note 4 – Pledges Receivable

Pledges receivable on the statement of activities consist of:

	2018	2017
Pledges receivable	\$ 133,477	\$ 271,489
Less: allowance for bad debt	(25,100)	(11,363)
Less: net present value adjustment	(2,222)	(4,215)
Accounts receivable, net	<u>\$ 106,155</u>	<u>\$ 255,911</u>

Pledges receivable are scheduled to be collected as follows:

For the Year Ended December 31,	
2019	\$ 78,249
2020	38,216
2021	13,950
2022	<u>3,062</u>
Total	<u>\$ 133,477</u>

Management has elected the fair value option for pledges receivable in order to simplify the accounting for pledges made in multiple years. The pledges are discounted using the applicable federal rate of 3.07%.

Pledges receivable activity for December 31 is detailed as follows:

	2018	2017
Balance beginning of the year	\$ 255,911	\$ 311,188
Add: new pledges	34,520	78,286
Less: collections	(172,532)	(136,200)
Less: change in allowance for bad debt	(13,737)	2,637
Less: change in net present value adjustment	1,993	-
Balance end of the year	<u>\$ 106,155</u>	<u>\$ 255,911</u>

### Note 5 – Property and Equipment

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

	2018	2017
Furniture and fixtures	\$ 12,998	\$ 12,998
Computers	<u>13,797</u>	<u>13,797</u>
	26,795	26,795
Less accumulated depreciation	<u>(22,119)</u>	<u>(20,235)</u>
Net property and equipment	<u>\$ 4,676</u>	<u>\$ 6,560</u>

# Big Brothers Big Sisters of Washtenaw County

## Notes to the Financial Statements

December 31, 2018

(With Summarized Comparative Information for December 31, 2017)

---

### Note 6 – Net Assets With Donor Restrictions

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

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Multi-year pledges	\$ 106,155	\$ 271,489
Marketing and special events	<u>7,140</u>	<u>7,887</u>
	<u>\$ 113,295</u>	<u>\$ 279,376</u>

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

	<u>2018</u>	<u>2017</u>
Expiration of time restrictions		
Multi-year pledges	\$ 199,854	\$ 112,709
Marketing and special events	<u>7,887</u>	<u>-</u>
	<u>\$ 207,741</u>	<u>\$ 112,709</u>

### Note 7 – Leases

In September 2016, the Organization signed a 5 year lease for their office space ending August 2021. The prior lease through February 2018 was cancelled after the September 2016 rent was collected. The monthly rental rates under the new 5 year 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, 2018 and 2017, was \$30,169 and \$29,290, respectively.

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

<u>For the Year Ended December 31,</u>	
2019	\$ 31,074
2020	32,006
2021	<u>21,760</u>
Total	<u>\$ 84,840</u>

# **Big Brothers Big Sisters of Washtenaw County**

## **Notes to the Financial Statements**

**December 31, 2018**

**(With Summarized Comparative Information for December 31, 2017)**

---

### **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, 2018 and 2017, the Organization paid \$15,442 and \$9,147 to BBBSA. As of December 31, 2018 and 2017 \$0 and \$3,825 was outstanding, respectively. The Organization also receives grant revenue passed through BBBSA. For the years ended December 31, 2018 and 2017, the Organization recognized \$43,903 and \$89,584 in grant revenue from BBBSA as a pass-through entity, respectively. As of December 31, 2018 and 2017, \$0 and \$10,097 of grant revenue from BBBSA was a grant receivable, respectively.