
**BIG BROTHERS BIG SISTERS
OF SOUTHWEST WASHINGTON**

A Washington Not-For-Profit Organization

Financial Statements

For the Year Ended December 31, 2016

Aiken & Sanders, Inc PS

CERTIFIED PUBLIC ACCOUNTANTS
& MANAGEMENT CONSULTANTS

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets.....	4
Statement of Cash Flows	5
Statement of Functional Expenses	6
Notes to the Financial Statements.....	7

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of
Southwest Washington
1802 Black Lake Blvd SW, #102
Olympia, WA 98512

We have audited the accompanying financial statements of Big Brothers Big Sisters of Southwest Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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.

Auditor's 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 from 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 auditor's 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 Southwest Washington as of December 31, 2016, 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 Southwest Washington's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 17, 2016. As explained in Note 10 of the financial statements, donated goods and professional services were not recorded on the financial statements. Accounting principles generally accepted in the United States of America require donated goods and professional services to be recorded at their fair value at the date of receipt. The effects on the accompanying financial statements have been corrected with a prior period adjustment. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Aiken & Sanders, Inc., PS
Certified Public Accountants
& Management Consultants

May 26, 2017

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Statement of Financial Position

December 31, 2016 (With Comparative Totals for 2015)	2016	2015
ASSETS		
<u>Current Assets</u>		
Cash	\$ 99,911	\$ 67,806
Accounts Receivable	58,921	29,006
Prepaid Expenses	3,521	3,521
Total Current Assets	162,353	100,333
<u>Property and Equipment</u>		
Furniture and Equipment	42,444	38,351
Accumulated Depreciation	(25,220)	(18,867)
Total Property and Equipment	17,224	19,484
<u>Other Assets</u>		
Investments	-	1,642
Security Deposit	3,262	3,262
Total Other Assets	3,262	4,904
Total Assets	\$ 182,839	\$ 124,721
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 109	\$ 4,312
Accrued Payroll, Taxes & Benefits	16,819	11,344
Accrued Vacation	21,880	14,316
Line of Credit	40,000	-
Scholarship Fund	3,350	3,350
Total Current Liabilities	82,158	33,322
<u>Net Assets</u>		
Unrestricted	100,681	91,399
Total Net Assets	100,681	91,399
Total Liabilities & Net Assets	\$ 182,839	\$ 124,721

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Statement of Activities and Changes in Net Assets

December 31, 2016 (With Comparative Totals for 2015)	2016	2015
	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>
<u>Support and Revenue</u>		
Grants	\$ 147,300	\$ 114,800
Contributions	26,095	37,416
United Way	1,852	4,385
Inkind Revenue	929,722	656,159
Interest Income	13	14
Fees for Services	152,046	45,889
Special Events	437,818	524,319
Costs of Special Events	(112,516)	(159,335)
Total Support and Revenue	<u>1,582,330</u>	<u>1,223,647</u>
<u>Expenses</u>		
Program Services	1,340,106	872,626
Management and General	60,259	95,786
Fundraising	172,687	240,727
Unallocated Payments to National Organization	-	5,193
Total Expenses	<u>1,573,052</u>	<u>1,214,332</u>
<u>Other Revenue and Expenses</u>		
Investment Income	4	3
Total Other Revenue and Expenses	<u>4</u>	<u>3</u>
Increase/(Decrease) in Net Assets	9,282	9,318
Net Assets, Beginning of Year	91,399	82,081
Net Assets, End of Year	<u>\$ 100,681</u>	<u>\$ 91,399</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Statement of Cash Flows

December 31, 2016 (With Comparative Totals for 2015)	2016	2015
<u>Cash Flows from Operating Activities</u>		
Receipts from Grantors	\$ 117,385	119,206
Receipts from Contributions & Others	1,435,013	653,520
Payments to Employees and Related Costs	(577,642)	(481,881)
Payments to Vendors and Suppliers	(980,221)	(735,281)
Interest Income Received	17	17
Net Cash Provided (Used) by Operating Activities	<u>(5,448)</u>	<u>(444,419)</u>
<u>Cash Flows From Capital & Related Financing Activities</u>		
Purchase of Property and Equipment	(4,093)	(2,528)
Net Cash Provided (Used) by Capital & Related Financing Activities	<u>(4,093)</u>	<u>(2,528)</u>
<u>Cash Flows from Investing Activities</u>		
Line of Credit Activity	40,000	-
Investment Sold	1,646	-
Net Cash Provided (Used) by Investing Activities	<u>41,646</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	32,105	(446,947)
Cash and Cash Equivalents, beginning-of-year	<u>67,806</u>	<u>59,443</u>
Cash and Cash Equivalents, end-of-year	<u>\$ 99,911</u>	<u>(387,504)</u>
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for interest	<u>\$ 3,217</u>	<u>-</u>
Reconciliation of Changes in Fund Net Position to Net Cash		
Increase (Decrease) in Net Assets	\$ 9,282	\$ 9,318
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided (used) by operating activities:		
Depreciation	6,353	5,076
Investment Income	(4)	(3)
(Increase) Decrease In:		
Accounts Receivable	(29,915)	4,406
Prepaid Expenses	-	(584)
Increase (Decrease) In:		
Accounts Payable	(4,203)	(7,352)
Accrued Payroll, Taxes & Benefits	5,475	(786)
Accrued Vacation	7,564	816
Net Cash Provided (Used) by Operating Activities	<u>\$ (5,448)</u>	<u>10,891</u>

The accompanying notes are an integral part of these financial statements.

**Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization**

Statement of Functional Expenses

December 31, 2016 (With Comparative Totals for 2015)				2016	2015
	Program Services	Management & General	Fundraising	Total	Total
Salaries & Wages	\$ 332,113	\$ 13,504	\$ 46,541	\$ 392,158	\$ 346,037
Payroll Taxes	29,800	1,171	5,043	36,014	32,328
Employee Benefits	15,737	1,768	7,064	24,569	27,482
AmeriCorps Inkind	137,940	-	-	137,940	76,064
Occupancy	34,187	1,899	1,900	37,986	37,567
Education & Training	7,269	-	60	7,329	3,606
Insurance	10,970	2,415	609	13,994	11,293
Postage	384	636	851	1,871	2,245
Printing	2,058	-	529	2,587	3,397
Professional Fees	30,474	6,500	10,310	47,284	25,905
Program Costs	8,093	47	85	8,225	5,944
Telephone	5,284	1,408	715	7,407	6,366
Office Expense	7,578	1,845	1,347	10,770	3,266
Dues & Subscriptions	4,625	537	2,656	7,818	9,663
Travel Expense	8,930	62	249	9,241	11,020
Mentor Expenses	1,846	-	60	1,906	1,530
Meetings	2,085	383	1,438	3,906	3,172
Inkind Expense	689,169	19,275	83,338	791,782	580,095
Advertising	7,116	-	59	7,175	4,179
Bank Fees	-	642	9,054	9,696	9,659
Interest Expense	2,033	694	490	3,217	-
Miscellaneous Expense	2,415	1,120	289	3,824	3,245
Depreciation	-	6,353	-	6,353	5,076
Total Expenses	\$ 1,340,106	\$ 60,259	\$ 172,687	\$ 1,573,052	\$ 1,209,139

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of Southwest Washington (the Agency) was incorporated in Washington State as a not-for-profit organization in 1983. The Agency is dedicated to helping children (primarily single-parent) in Thurston, Lewis, Grays Harbor, Pacific and Mason Counties by building friendships through a one-on-one matching program with screened adult volunteers. The Agency receives funding from the United Way, grants from various foundations, donations and through special events.

The national organization was founded in 1904 and is located in Philadelphia, Pennsylvania. It serves more than 500 affiliated agencies in 49 states and the District of Columbia. The Agency pays an annual fee to the national organization. In return, cooperative marketing agreements with national companies are available. Field managers are available year round for consultation and assistance when problems arise. Workshops, regional conferences, and training are also provided to the local agency. The local agency is an autonomous body, governed by a local board of directors and administered by the Executive Director.

Financial Statements

The Agency maintains its financial records on the accrual basis of accounting. Revenues on all grants are recognized (accrued) when qualifying expenditures under the grant are made. Grant funds are accounted for as unrestricted or temporarily restricted as provided in the particular terms of the respective grant contracts. When restrictions on grant funds are met in the same year the funds are awarded, it is the policy of the Agency to record the grant funds as unrestricted in the statement of activities and changes in net assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may vary from the estimates that were used.

Statement of Cash Flows

Cash and cash equivalents include cash on hand and cash on deposit in financial institutions.

Furniture and Equipment

Furniture and equipment purchased by the Agency is recorded at cost. Furniture and equipment donated to the Agency is capitalized at its estimated fair value. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

Maintenance and repairs are charged to expense as incurred; major renewals and improvements are capitalized. When items of furniture and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts and any gains or loss is included in income.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CON'T.)

Support

The Agency receives a substantial amount of its support from grants, contributions, and special events. If a significant reduction in the level of this support occurred, it could have a significant effect on the Agency programs and activities.

Contributions

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations limiting the use of the donated assets. However, restricted gifts for which the donor restriction is met in the same period the gift is received are recorded as unrestricted revenue.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as they are incurred.

Employee Benefits

The Agency provides its employees with paid time off (PTO) in accordance with its current policies. Accrued PTO is payable to the employee in cash upon termination up to their annual accrual maximum.

The Agency has a Simple Individual Retirement Account plan for employees. The Agency provides a dollar for dollar matching contribution not to exceed 3% of each employee's wages. During the years ended December 31, 2016 and 2015, the Agency recognized pension expense totaling \$5,691 and \$4,601, respectively. The Simple IRA plan was fully funded at December 31, 2016.

NOTE 2 – RECEIVABLES

Grants receivable are recorded to the extent of qualifying grant expenditures made during the current year that are to be reimbursed after year end. An allowance for doubtful accounts has not been established since management is of the opinion that all accounts receivable at year-end are fully collectible. Actual bad debts incurred during the years ended December 31, 2016 and 2015, was \$0 and \$0, respectively. Accounts are considered past due if not collected within 60 days. The Agency does not charge interest on past due accounts. As of December 31, 2016, all accounts receivable are current.

NOTE 3 – INVESTMENTS & FAIR VALUE MEASUREMENTS

The Agency has investments in cash and mutual funds. The cost basis as of December 31, 2016 and 2015 was \$0 and \$332 respectively.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 3 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON'T)

For the year ended December 31, 2016, investment income was the following:

Dividends	\$	5
Unrealized Loss		<u>(1)</u>
	\$	<u>4</u>

For the year ended December 31, 2015, investment income was \$3.

The Agency adopted the Fair Value Measurement guidance as of January 1, 2010. The Fair Value Measurement establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under the Fair Value Measurement are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access.

Level 2: Inputs to valuation methodology include:

- A. Quoted prices for similar assets or liabilities in active markets.
- B. Quoted prices for identical or similar assets or liabilities in inactive markets.
- C. Inputs other than quoted prices that are observable for the asset or liability.
- D. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Mutual Funds: Valued at quoted price from the stock market.

Cash: Cash funds are based on the amount held at year end provided by the funds' managers.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 3 – INVESTMENTS & FAIR VALUE MEASUREMENTS (CON’T)

The following table sets forth by level, within the fair value hierarchy, the Agency’s assets at fair value as of December 31, 2016 with comparative totals for 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016 Total</u>	<u>2015 Total</u>
Cash	\$ -	\$ -	\$ -	\$ -	\$ 332
Mutual Funds	-	-	-	-	1,310
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,642</u>

NOTE 4 - LEASES

During 2008, the Agency moved their primary facility to better serve the children. They entered into an operating lease for the facility on October 20, 2008 for five years beginning December 1, 2008. On August 31, 2012, an extension of the facility lease agreement was signed for an additional five years beginning December 1, 2013.

The Agency leases facilities and equipment which are classified as operating leases. Lease expense for facilities and equipment for the years ended December 31, 2016 and 2015, was \$37,986 and \$37,567, respectively.

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as of December 31, 2016:

2017	\$ 34,437
2018	34,412
2019	-
2020	-
2021	-
Total	<u>\$ 68,849</u>

NOTE 5 – CONTINGENCIES

Amounts received or receivable from government agencies are subject to audit and potential adjustment by the contracting agencies. Any disallowed claims, including amounts already collected, would become a liability of the Agency if so determined in the future. It is management’s belief that no material amounts received or receivable will be required to be returned in the future that have not already been provided for.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 6 - DONATED SERVICES & MATERIALS

During the years ended December 31, 2016 and 2015, there were donated materials and services that meet the requirements set out in the revenue recognition guidance, Noncash Contributions. The value of donated materials and services is reflected in the financial statements as in-kind revenue and in-kind expense and estimated at fair market value when received. In-kind revenue and in-kind expense, and for the years ended December 31, 2016 and 2015, was \$929,722 and \$200,849, respectively. The following in-kind donations were received:

<u>Donation Type</u>	<u>2016</u>	<u>2015</u>
Supplies & Materials	\$ 86,338	\$ 101,985
AmeriCorps Volunteers	137,940	76,064
Professional Services	582,644	455,310
Space & Rents	<u>122,800</u>	<u>22,800</u>
 Total	 <u>\$ 929,722</u>	 <u>\$ 656,159</u>

Volunteers contribute services toward the fulfillment of programs sponsored by Agency. The contributed services that do not meet the requirements set out in the revenue recognition guidance, Contributed Services, are not recorded in the financial statements.

During the year ended December 31, 2016, the estimated fair value of contributed services received but not recorded on the books, because they do not meet the revenue recognition guidance, Contributed Services, was the following:

<u>Service Type</u>	<u>Volunteer Hours</u>	<u>Program Services</u>	<u>Mgmt & General</u>	<u>Special Events</u>	<u>Total Estimated Value</u>
Board Member Services	1,150	\$ -	\$ 26,531	\$ -	\$ 26,531
Special Events	<u>845</u>	<u>-</u>	<u>-</u>	<u>19,494</u>	<u>19,494</u>
 Total	 <u>1,995</u>	 <u>\$ -</u>	 <u>\$ 26,531</u>	 <u>\$ 19,494</u>	 <u>\$ 46,025</u>

During the year ended December 31, 2015, the estimated fair value of contributed services received but not recorded on the books, because they do not meet the requirements of the revenue recognition guidance, Contributed Services, was \$33,889.

An approximate economic value for this volunteer time contributed in 2016 and 2015, for Washington State is \$23.07 per hour using the most recent data released by the U.S. Bureau of Labor Statistics.

Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 7 - SPECIAL EVENTS

The Agency held several special events during the years ended December 31, 2016 and 2015. Support received and related costs for 2016 are as follows:

<u>Special Events</u>	<u>Gross Revenues</u>	<u>Event Costs</u>	<u>Net Profit</u>
Bowl for Kids Sake	\$ 31,375	\$ 6,085	\$ 25,290
Big Breakfast	32,605	7,461	25,144
Golf Tournament	34,028	15,410	18,618
Auction	301,980	62,856	239,124
Concert	<u>37,830</u>	<u>20,704</u>	<u>17,126</u>
Total	<u>\$ 437,818</u>	<u>\$ 112,516</u>	<u>\$ 325,302</u>

For 2015, support received was \$524,319 and related costs were \$159,335.

NOTE 8 – TAXATION & UNCERTAIN TAX POSITIONS

The Agency is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3) and is not classified as a private foundation.

The Agency files income tax returns in the U.S. federal jurisdiction. The Agency is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

The Agency adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2009. As of December 31, 2016, there are no tax positions for which the deductibility is certain but for which there is uncertainty regarding the timing of such deductibility.

The Agency recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the year ended December 31, 2016, the Agency recognized \$0 in interest and penalties. The Agency recognized \$0 for the payment of interest and penalties accrued at December 31, 2016

NOTE 9 - SUBSEQUENT EVENTS

The Agency did not have any subsequent events through May 26, 2017, which is the date the financial statements were available to be issued for events requiring recording or disclosure in the financial statements for the year ended December 31, 2016.

**Big Brothers Big Sisters of Southwest Washington
A Washington Not-For-Profit Organization**

Notes to the Financial Statements

Year Ended December 31, 2016

NOTE 10 – PRIOR PERIOD ADJUSTMENT

As required by the revenue recognition guidance, Contributions of Goods and Professional Services, contributions of goods and services in which are professional in nature and the Organization would have otherwise paid for are required to be recorded in the financial records at fair market value. Big Brothers Big Sisters of Southwest Washington did not record all donated goods and professional services for the year ended December 31, 2016. As a result, in-kind revenue and related expenses were understated. The amount of the understatement was determined to be \$80,105 for donated goods and \$455,310 for professional services, which was added to in-kind revenue and in-kind expenses on the financial statements for the year ended December 31, 2015 for comparability purposes.