
**BIG BROTHERS BIG SISTERS
OF SOUTHWEST WASHINGTON**

A Washington Not-For-Profit Organization

Financial Statements

For the Year Ended December 31, 2017

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, 2017, 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.

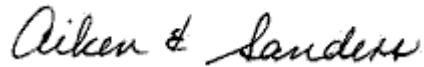
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 26, 2017. As explained in Note 9 of the financial statements, prior period expenses were added to the years ending December 31, 2016 and 2015 as well as revenue removed from the year ending December 31, 2016. Accounting principles generally accepted in the United States of America require revenue and expenses to be recorded when recognized. 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, 2016, 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

June 20, 2018

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

Statement of Financial Position

December 31, 2017 (With Comparative Totals for 2016)	2017	2016
ASSETS		
<u>Current Assets</u>		
Cash	\$ 115,835	\$ 99,911
Accounts Receivable	29,457	51,421
Prepaid Expenses	4,855	3,521
Total Current Assets	150,147	154,853
<u>Property and Equipment</u>		
Furniture and Equipment	42,444	42,444
Accumulated Depreciation	(31,665)	(25,220)
Total Property and Equipment	10,779	17,224
<u>Other Assets</u>		
Security Deposit	3,262	3,262
Total Other Assets	3,262	3,262
Total Assets	\$ 164,188	\$ 175,339
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 23,758	\$ 20,397
Accrued Payroll, Taxes & Benefits	17,378	16,819
Accrued Vacation	14,058	21,880
Line of Credit	40,000	40,000
Deferred Revenue	2,750	-
Scholarship Fund	3,350	3,350
Total Current Liabilities	101,294	102,446
<u>Net Assets</u>		
Unrestricted	62,894	72,893
Total Net Assets	62,894	72,893
Total Liabilities & Net Assets	\$ 164,188	\$ 175,339

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, 2017 (With Comparative Totals for 2016)	2017	2016
	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>
<u>Support and Revenue</u>		
Grants	\$ 85,300	\$ 147,300
Contributions	34,467	26,095
United Way	1,244	1,852
Inkind Revenue	107,133	209,138
Interest Income	4	13
Fees for Services	123,924	144,546
Special Events	557,492	437,818
Costs of Special Events	(148,378)	(112,516)
Total Support and Revenue	<u>761,186</u>	<u>854,246</u>
<u>Expenses</u>		
Program Services	506,252	623,015
Management and General	54,996	60,259
Fundraising	200,864	172,687
Unallocated Payments to National Organization	9,073	11,570
Total Expenses	<u>771,185</u>	<u>867,531</u>
<u>Other Revenue and Expenses</u>		
Investment Income	-	4
Total Other Revenue and Expenses	<u>-</u>	<u>4</u>
Increase/(Decrease) in Net Assets	(9,999)	(13,281)
Prior Period Adjustment	-	(5,225)
Net Assets, Beginning of Year	72,893	91,399
Net Assets, End of Year	<u>\$ 62,894</u>	<u>\$ 72,893</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, 2017 (With Comparative Totals for 2016)	2017	2016
<u>Cash Flows from Operating Activities</u>		
Receipts from Grantors	\$ 110,014	117,385
Receipts from Contributions & Others	675,882	714,429
Payments to Employees and Related Costs	(469,722)	(577,642)
Payments to Vendors and Suppliers	(300,257)	(259,637)
Interest Income Received	4	17
Net Cash Provided (Used) by Operating Activities	<u>15,921</u>	<u>(5,448)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of Property and Equipment	-	(4,093)
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(4,093)</u>
<u>Cash Flows from Financing Activities</u>		
Line of Credit Activity	-	40,000
Investment Sold	3	1,646
Net Cash Provided by Financing Activities	<u>3</u>	<u>41,646</u>
Net Decrease in Cash and Cash Equivalents	15,924	32,105
Cash and Cash Equivalents, beginning-of-year	<u>99,911</u>	<u>67,806</u>
Cash and Cash Equivalents, end-of-year	<u>\$ 115,835</u>	<u>99,911</u>
Supplemental Disclosure of Cash Flows Information		
Cash paid during the year for interest	<u>\$ 4,784</u>	<u>3,217</u>
Reconciliation of Increase (Decrease) in Net Assets to Net Cash (Used) by Operating Activities:		
Increase (Decrease) in Net Assets	\$ (9,999)	\$ (13,281)
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided (used) by operating activities:		
Depreciation	6,442	6,353
Investment Income	-	(4)
(Increase) Decrease In:		
Accounts Receivable	21,964	(22,415)
Prepaid Expenses	(1,334)	-
Increase (Decrease) In:		
Accounts Payable	3,361	10,860
Accrued Payroll, Taxes & Benefits	559	5,475
Deferred Revenue	2,750	-
Accrued Vacation	(7,822)	7,564
Net Cash Provided (Used) by Operating Activities	<u>\$ 15,921</u>	<u>(5,448)</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, 2017 (With Comparative Totals for 2016)				2017	2016
	Program Services	Management & General	Fundraising	Total	Total
Salaries & Wages	\$ 327,335	\$ 23,099	\$ 51,634	\$ 402,068	\$ 392,158
Payroll Taxes	26,920	2,474	5,531	34,925	36,014
Employee Benefits	20,934	1,401	3,131	25,466	24,569
Occupancy	32,331	1,902	3,804	38,037	37,986
Education & Training	2,576	2,375	1,985	6,936	7,329
Insurance	11,376	981	933	13,290	13,994
Postage	1,112	360	793	2,265	1,871
Printing	1,138	34	3,228	4,400	2,587
Professional Fees	16,209	9,451	15,413	41,073	47,284
Program Costs	8,796	40	419	9,255	8,225
Telephone	5,852	213	315	6,380	7,407
Office Expense	11,740	1,101	1,750	14,591	10,770
Dues & Subscriptions	3,773	171	3,580	7,524	7,818
Travel Expense	10,147	264	257	10,668	9,241
Mentor Expenses	1,077	-	-	1,077	1,906
Meetings	1,249	137	748	2,134	3,906
Inkind Expense	20,773	-	86,360	107,133	209,138
Advertising	899	2,333	2,578	5,810	7,175
Bank Fees	-	75	11,852	11,927	9,696
Interest Expense	-	1,468	3,316	4,784	3,217
Miscellaneous Expense	2,015	675	1,487	4,177	7,317
Bad Debt Expense	-	-	1,750	1,750	-
Depreciation	-	6,442	-	6,442	6,353
Total Expenses	\$ 506,252	\$ 54,996	\$ 200,864	\$ 762,112	\$ 855,961

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, 2017

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, 2017

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, 2017 and 2016, the Agency recognized pension expense totaling \$5,691 and \$5,691, respectively. The Simple IRA plan was fully funded at December 31, 2017.

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, 2017 and 2016, was \$1,750 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, 2017, all accounts receivable are current.

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

Notes to the Financial Statements

Year Ended December 31, 2017

NOTE 3 – 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, 2017 and 2016, was \$38,037 and \$37,986, respectively.

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as of December 31, 2017:

2018	\$	32,142
Total	\$	32,142

NOTE 4 – 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.

NOTE 5 – DONATED SERVICES & MATERIALS

During the years ended December 31, 2017 and 2016, 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 for the years ended December 31, 2017 and 2016, was \$129,641 and \$209,138, respectively. The following in-kind donations were received:

Donation Type	2017	2016
Supplies & Materials	\$ 93,201	\$ 86,338
Professional Services	13,032	-
Space & Rents	900	122,800
	\$ 107,133	\$ 209,138

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

Notes to the Financial Statements

Year Ended December 31, 2017

NOTE 5 – DONATED SERVICES & MATERIALS (CON'T.)

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, 2017, 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 Service</u>	<u>Mgmt & General</u>	<u>Special Events</u>	<u>Total Estimated Value</u>
Board Member Service	765	\$ -	\$ 18,888	\$ -	\$ 18,888
Special Events	<u>580</u>	<u>-</u>	<u>-</u>	<u>14,320</u>	<u>14,320</u>
Total	<u>1,345</u>	<u>\$ -</u>	<u>\$ 18,888</u>	<u>\$ 14,320</u>	<u>\$ 33,208</u>

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 requirements of the revenue recognition guidance, Contributed Services, was \$46,025.

An approximate economic value for this volunteer time contributed in 2017 and 2016, for Washington State is \$24.69 and \$23.07, respectively per hour using the most recent data released by the U.S. Bureau of Labor Statistics.

NOTE 6 – SPECIAL EVENTS

The Agency held several special events during the years ended December 31, 2017 and 2016. Support received and related costs for 2017 are as follows:

<u>Special Events</u>	<u>Gross Revenues</u>	<u>Event Costs</u>	<u>Net Profit</u>
Bowl for Kids Sake	\$ 22,183	\$ 3,732	\$ 18,451
Big Breakfast	37,347	13,581	23,766
Golf Tournament	43,692	16,240	27,452
Auction	399,740	72,798	326,942
Concert	<u>54,530</u>	<u>42,027</u>	<u>12,503</u>
Total	<u>\$ 557,492</u>	<u>\$ 148,378</u>	<u>\$ 409,114</u>

For 2016, support received was \$437,818 and related costs were \$112,516.

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

Notes to the Financial Statements

Year Ended December 31, 2017

NOTE 7 – 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 2014. 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, 2017, 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, 2017, the Agency recognized \$0 in interest and penalties. The Agency recognized \$0 for the payment of interest and penalties accrued at December 31, 2017.

NOTE 8 – SUBSEQUENT EVENTS

The Agency did not have any subsequent events through June 20, 2018, 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, 2017.

NOTE 9 – PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2017, it was determined that the Agency had outstanding expenses which related to prior periods. The Agency recorded a total of \$20,288 of prior period expenses, of which \$15,063 related to the year end December 31, 2016 and \$5,225 related to the year ended December 31, 2015. The items which relate to the year end December 31, 2016 were adjusted to their respective line items on the financial statements. The remaining portion related to the year ended December 31, 2015 was adjusted as a prior period adjustment on the statement of activities and changes in net assets. Accounts payable was also adjusted for the year end December 31, 2016 on the statement of financial position.

During the year ended December 31, 2017, it was determined that the Agency recorded revenue in a prior period which related to the current year end December 31, 2017. It is the Agency's policy to recognize grant income when qualifying expenditures under that grant are made. The Agency recognized \$7,500 during the year end December 31, 2016 of which the expenditures weren't spent until the year ended December 31, 2017. An adjustment was made to the respective income line item for the year ended December 31, 2016 on the statement of activities and changes in net assets. Accounts receivable was also adjusted for the year end December 31, 2016 on the statement of financial position.