
**BIG BROTHERS BIG SISTERS
OF SOUTHWEST WASHINGTON**

A Washington Not-For-Profit Organization

Financial Statements

**For the Year Ended December 31, 2018
(with comparative totals for 2017)**



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of
Southwest Washington
2424 Heritage Ct SW Suite 302
Olympia, WA 98502

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, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flow 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, 2018, and the changes in its net assets and its cash flow 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 December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 20, 2018. 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.

Aiken & Sanders

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

July 8, 2019

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

Statement of Financial Position

<u>December 31, 2018 (With Comparative Totals for 2017)</u>	<u>2018</u>	<u>2017</u>
ASSETS		
<u>Current Assets</u>		
Cash	\$ 119,421	\$ 115,835
Accounts Receivable	34,622	29,457
Prepaid Expenses	659	4,855
Total Current Assets	154,702	150,147
<u>Property and Equipment</u>		
Furniture and Equipment	42,444	42,444
Accumulated Depreciation	(35,857)	(31,665)
Total Property and Equipment	6,587	10,779
<u>Other Assets</u>		
Security Deposit	-	3,262
Total Other Assets	-	3,262
Total Assets	\$ 161,289	\$ 164,188
LIABILITIES & NET ASSETS		
<u>Current Liabilities</u>		
Accounts Payable	\$ 29,390	\$ 23,758
Accrued Payroll, Taxes & Benefits	21,164	17,378
Accrued Vacation	15,393	14,058
Line of Credit	10,000	40,000
Deferred Revenue	-	2,750
Funds Held for Others	15,340	-
Scholarship Fund	2,050	3,350
Total Current Liabilities	93,337	101,294
<u>Net Assets</u>		
Without Donor Restrictions	44,202	62,894
With Donor Restrictions	23,750	-
Total Net Assets	67,952	62,894
Total Liabilities & Net Assets	\$ 161,289	\$ 164,188

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, 2018 (With Comparative Totals for 2017)			2018	2017
	Without Donor Restrictions	With Donor Restrictions	TOTAL	TOTAL
Support and Revenue				
Grants	\$ 110,931	\$ -	\$ 110,931	\$ 85,300
Contributions	30,429	23,750	54,179	34,467
United Way	1,045	-	1,045	1,244
Inkind Revenue	101,166	-	101,166	107,133
Interest Income	10	-	10	4
Fees for Services	122,519	-	122,519	123,924
Special Events	544,621	-	544,621	557,492
Costs of Special Events	(103,996)	-	(103,996)	(148,378)
Total Support and Revenue	806,725	23,750	830,475	761,186
Expenses				
Program Services	419,225	-	419,225	506,252
Management and General	85,588	-	85,588	54,996
Fundraising	310,515	-	310,515	200,864
Unallocated Payments to National Organization	10,089	-	10,089	9,073
Total Expenses	825,417	-	825,417	771,185
 Increase/(Decrease) in Net Assets	 (18,692)	 23,750	 5,058	 (9,999)
Net Assets, Beginning of Year	62,894	-	62,894	72,893
Net Assets, End of Year	\$ 44,202	\$ 23,750	\$ 67,952	\$ 62,894

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

Statement of Cash Flows

December 31, 2018 (With Comparative Totals for 2017)	2018	2017
<u>Cash Flows from Operating Activities</u>		
Receipts from Grantors	\$ 103,016	110,014
Receipts from Contributions & Others	719,534	675,882
Payments to Employees and Related Costs	(506,803)	(469,722)
Payments to Vendors and Suppliers	(282,171)	(300,257)
Interest Income Received	10	4
Net Cash Provided (Used) by Operating Activities	<u>33,586</u>	<u>15,921</u>
<u>Cash Flows From Investing Activities</u>		
Net Cash (Used) by Investing Activities	<u>-</u>	<u>-</u>
<u>Cash Flows from Financing Activities</u>		
Line of Credit Activity	(30,000)	-
Investment Sold	-	3
Net Cash Provided by Financing Activities	<u>(30,000)</u>	<u>3</u>
Net Decrease in Cash and Cash Equivalents	3,586	15,924
Cash and Cash Equivalents, beginning-of-year	<u>115,835</u>	<u>99,911</u>
Cash and Cash Equivalents, end-of-year	<u>\$ 119,421</u>	<u>115,835</u>
<u>Supplemental Disclosure of Cash Flows Information</u>		
Cash paid during the year for interest	<u>\$ 3,318</u>	<u>4,784</u>

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

Statement of Cash Flows

December 31, 2018 (With Comparative Totals for 2017)	2018	2017
Reconciliation of Increase (Decrease) in Net Assets to Net Cash		
(Used) by Operating Activities:		
Increase (Decrease) in Net Assets	\$ 5,058	\$ (9,999)
Adjustments to reconcile increase (decrease) in net assets to net cash flows provided (used) by operating activities:		
Depreciation	4,192	6,442
Investment Income	-	-
(Increase) Decrease In:		
Accounts Receivable	(5,165)	21,964
Prepaid Expenses	4,196	(1,334)
Security Deposits	3,262	-
Increase (Decrease) In:		
Accounts Payable	5,632	3,361
Accrued Payroll, Taxes & Benefits	3,786	559
Accrued Vacation	1,335	(7,822)
Deferred Revenue	(2,750)	2,750
Funds Held for Others	15,340	-
Scholarship Fund	(1,300)	-
Net Cash Provided (Used) by Operating Activities	\$ 33,586	\$ 15,921

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

Big Brothers Big Sisters of Southwest Washington
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Statement of Functional Expenses

December 31, 2018 (With Comparative Totals for 2017)				2018	2017
	Program Services	Management & General	Fundraising	Total	Total
Salaries & Wages	\$ 261,589	\$ 44,824	\$ 128,527	\$ 434,940	\$ 402,068
Payroll Taxes	21,129	4,081	12,031	37,241	34,925
Employee Benefits	23,059	3,786	12,898	39,743	25,466
Occupancy	25,965	4,985	9,583	40,533	38,037
Education & Training	5,809	127	314	6,250	6,936
Insurance	11,393	2,050	3,497	16,940	13,290
Postage	550	367	641	1,558	2,265
Printing	406	43	1,406	1,855	4,400
Professional Fees	15,977	5,537	20,075	41,589	41,073
Program Costs	11,809	37	17	11,863	9,255
Telephone	6,325	1,019	926	8,270	6,380
Office Expense	8,470	2,259	2,828	13,557	14,591
Dues & Subscriptions	2,310	1,130	6,128	9,568	7,524
Travel Expense	13,835	129	433	14,397	10,668
Mentor Expenses	1,142	9	29	1,180	1,077
Meetings	684	275	477	1,436	2,134
Inkind Expense	6,398	-	94,768	101,166	107,133
Advertising	45	-	1,925	1,970	5,810
Bank Fees	-	28	11,209	11,237	11,927
Interest Expense	937	2,247	134	3,318	4,784
Miscellaneous Expense	1,312	1,089	1,669	4,070	4,177
Bad Debt Expense	-	-	1,000	1,000	1,750
Moving Expense	81	7,374	-	7,455	-
Depreciation	-	4,192	-	4,192	6,442
Total Expenses	\$ 419,225	\$ 85,588	\$ 310,515	\$ 815,328	\$ 762,112

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, 2018

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 net assets with donor restrictions or without donor restrictions 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 without donor restrictions 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 are recorded at cost. Furniture and equipment donated to the Agency are 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
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Notes to the Financial Statements

Year Ended December 31, 2018

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 revenue without donor restriction.

When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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, 2018 and 2017, the Agency recognized pension expense totaling \$7,034 and \$6,197, respectively. The Simple IRA plan was fully funded at December 31, 2018.

Allocation of Indirect Costs

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of The Agency. All costs associated to the programs are direct costs. Payroll and related costs are allocated based on time spent on each function. Postage, printing, and insurance are allocated based on usage by department. Space costs which includes rent, utilities, and repairs and maintenance is allocated based on FTE allocation of time.

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, 2018 and 2017, was \$1,000 and \$1,750, 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, 2018, all accounts receivable are current.

Big Brothers Big Sisters of Southwest Washington
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Notes to the Financial Statements

Year Ended December 31, 2018

NOTE 3 – RELATED PARTY TRANSACTION

The Agency entered into an operating lease for the facility on August 29, 2018 for five years beginning December 1, 2018. The facility, which is being used as their primary facility, is leased at a monthly rental of \$3,516 from MPH Holdings, LLC, a company owned by a member of the Agency's Board of Directors. This lease, which expires in 2023, is, in the opinion of the Board of Directors of the Agency, at terms not less favorable than could have been obtained if the property were leased from an unrelated party. The interested Board Member has abstained from all decision making on behalf of the Agency's Board of Director's regarding this transaction. This lease commitment is more fully explained in Note 4.

NOTE 4 – LEASES

During 2018, the Agency moved their primary facility to better serve the children. They entered into an operating lease for the facility on August 29, 2018 for five years beginning December 1, 2018.

The Agency leases facilities and equipment which are classified as operating leases. Lease expense for facilities and equipment for the years ended December 31, 2018 and 2017, was \$40,533 and \$38,037, respectively.

The following is a schedule by years of minimum future rentals on the noncancellable operating leases as of December 31, 2018:

2019	\$	49,117
2020		49,117
2021		45,653
2022		42,190
2023		<u>38,674</u>
	\$	<u>224,751</u>

NOTE 5 – COMMITMENTS AND CONTINGENCIES

Grant expenditures are subject to the approval of various granting and contracting agencies. To be eligible for reimbursement of expenditures made under state and locally funded programs, the Agency must comply with regulations established by the related funding agency. The Agency's determination of failure to comply with such regulations may result in disallowed costs and a liability for reimbursements received. In addition, certain findings of noncompliance identified in prior year program audits may not have been resolved for programs administered by the Agency. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Agency expects such amounts, if any, to be immaterial.

Big Brothers Big Sisters of Southwest Washington
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Notes to the Financial Statements

Year Ended December 31, 2018

NOTE 6 – DONATED SERVICES & MATERIALS

During the years ended December 31, 2018 and 2017, 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, 2018 and 2017, was \$101,166 and \$107,133, respectively. The following in-kind donations were received

<u>Donation Type</u>	<u>2018</u>	<u>2017</u>
Supplies & Materials	\$ 101,166	\$ 93,201
Professional Services	-	13,032
Space & Rents	-	900
	<u>\$ 101,166</u>	<u>\$ 107,133</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, 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	\$ -	\$ 19,454	\$ -	\$ 19,454
Special Events	580	-	-	14,749	14,749
Total	<u>1,345</u>	<u>\$ -</u>	<u>\$ 19,454</u>	<u>\$ 14,749</u>	<u>\$ 34,203</u>

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 requirements of the revenue recognition guidance, Contributed Services, was \$33,208.

An approximate economic value for this volunteer time contributed in 2018 and 2017, for Washington State is \$25.43 and \$24.69, respectively per hour using the most recent data released by the U.S. Bureau of Labor Statistics.

Big Brothers Big Sisters of Southwest Washington
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Notes to the Financial Statements

Year Ended December 31, 2018

NOTE 7 – SPECIAL EVENTS

The Agency held several special events during the years ended December 31, 2018 and 2017. Support received and related costs for 2018 are as follows:

<u>Special Events</u>	<u>Gross Revenues</u>	<u>Event Costs</u>	<u>Net Profit</u>
Bowl for Kids Sake	\$ 42,654	\$ 7,782	\$ 34,872
Big Brunch	49,153	8,725	40,428
Golf Tournament	58,473	17,115	41,358
Auction	291,502	57,821	233,681
Tennis Tournament	31,039	6,299	24,740
Big Car Raffle	<u>71,800</u>	<u>6,254</u>	<u>65,546</u>
Total	\$ <u>544,621</u>	\$ <u>103,996</u>	\$ <u>440,625</u>

For 2017, support received was \$557,492 and related costs were \$148,378.

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 2015. Currently, there is no examination or pending examination with the Internal Revenue Service (IRS).

As of December 31, 2018, 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, 2018, the Agency recognized \$0 in interest and penalties. The Agency recognized \$0 for the payment of interest and penalties accrued at December 31, 2018.

NOTE 9 – SUBSEQUENT EVENTS

The Agency did not have any subsequent events through July 8, 2019, 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, 2018.

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

Notes to the Financial Statements

Year Ended December 31, 2018

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment purchased by the Organization with unrestricted funds is recorded at cost. Items of less than \$500 per unit cost are charged to expense as minor equipment or supplies.

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 property and equipment are sold or are otherwise disposed of, the appropriate cost and related accumulated depreciation amounts are removed from the accounts, and any gain or loss is included in income. During the year ended December 31, 2018, the Agency recognized \$4,192 in depreciation expense.

Straight-line depreciation is provided over the estimated useful lives of the assets as follows:

Furniture and Equipment	5 – 15 years
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NOTE 11 – WITH DONOR RESTRICTIONS NET ASSETS

During 2018, the Agency received a donation towards year end for a specified purpose. The money received is designated for the STEAM program by the donor. As of December 31, 2018, there was \$23,750 that has not yet been spend for the donor restricted purpose.

NOTE 12 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency, although it expects to receive current support to fund operations for 2019 and later years, has \$42,915 of financial assets available within one year of the statement of financial position dates on December 31, 2018 to meet cash needs for general operating expenditures of the Agency. Financial assets available within one year consist of the following

Financial Assets at Year End	\$ 154,702
Donor Designated Restrictions	(23,750)
	<u>6,254</u>
	<u>\$ 137,206</u>

NOTE 13 – FUNDS HELD FOR OTHERS

The Agency received a donation from a family for funds memorialized in honor of a loved one, labeled the Patricia Layton Enrichment Fund. The funds are in control of the donor to be spent on enrichment programs. As of December 31, 2018 the funds held for others balance was \$15,340.

**Big Brothers Big Sisters of Southwest Washington
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Notes to the Financial Statements

Year Ended December 31, 2018

NOTE 14 – NEW ACCOUNTING PRONOUNCEMENT

On August 18, 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958)—Presentation of Financial Statements of Not-for-Profit Entities. The Agency adopted ASU 2016-14 during the year ended December 31, 2018. ASU 2016-14 requires net assets to be presented as “without donor restrictions” and “with donor restrictions” on the statement of financial position. Also on the statement of activities, the columns will be labeled as “without donor restrictions” and “with donor restrictions”. Prior to adoption, the net assets on the statement of financial position were presented as unrestricted, temporarily restricted, and permanently restricted. Also, on the statement of activities, the columns were also labeled as unrestricted, temporarily restricted, and permanently restricted. There was no changes in the net assets classes and there were not reclassifications.