

**Big Brothers Big Sisters of the Midlands
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the year ended December 31, 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of the Midlands

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Midlands (a nonprofit Organization), which comprise the statement of financial position as of December 31, 2015, 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.

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 the Midlands as of December 31, 2015, 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 the Big Brothers Big Sisters of the Midlands's December 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hayes & Associates, L.L.C.
Omaha, Nebraska
May 10, 2016

Big Brothers Big Sisters of the Midlands
STATEMENT OF FINANCIAL POSITION
December 31, 2015
(With comparative totals for 2014)

	Totals	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 471,170	\$ 409,743
Investments	818,469	744,840
Accounts receivable	9,689	6,091
Unconditional promises to give	152,570	107,667
Prepaid expenses	10,348	8,545
Notes receivable - current portion	42,180	36,103
Total current assets	1,504,426	1,312,989
NONCURRENT ASSETS		
Property and equipment, net of accumulated depreciation of \$80,229 and \$73,445	13,526	20,310
Notes receivable - net of current portion	139,776	214,217
Total noncurrent assets	153,302	234,527
Total assets	\$ 1,657,728	\$ 1,547,516
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ -	\$ 4,931
Accrued vacation	51,029	35,772
Accrued wages	17,400	56,489
Security deposit	2,987	2,987
Total current liabilities	71,416	100,179
Deferred gain	26,216	31,548
NET ASSETS		
Unrestricted	1,221,946	1,218,669
Temporarily restricted	327,150	197,120
Permanently restricted	11,000	-
Total net assets	1,560,096	1,415,789
Total liabilities and net assets	\$ 1,657,728	\$ 1,547,516

See accompanying notes and independent auditor's report.

Big Brothers Big Sisters of the Midlands
STATEMENT OF ACTIVITIES
For the year ended December 31, 2015
(With comparative totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2015	2014
SUPPORT AND REVENUE					
Support					
Contributions	\$ 839,218	\$ 73,450	\$ -	\$ 912,668	\$ 855,461
United Way of the Midlands	37,610	200,300	-	237,910	243,754
Grants	256,166	184,839	-	441,005	269,227
Special events	391,916	-	-	391,916	402,002
Less: Direct Benefit to Donors	(19,089)	-	-	(19,089)	(19,798)
In-kind contributions	174,218	-	-	174,218	103,693
Revenue					
Miscellaneous income	15,162	-	-	15,162	5,580
Investment revenue	15,357	-	-	15,357	33,988
Gain on sale of property	10,808	-	-	10,808	5,331
Total support and revenue	<u>1,721,366</u>	<u>458,589</u>	<u>-</u>	<u>2,179,955</u>	<u>1,899,238</u>
EXPENSES					
Management and General	180,543	-	-	180,543	167,145
Fundraising	239,597	-	-	239,597	197,693
Program	1,615,507	-	-	1,615,507	1,422,830
Total expenses	<u>2,035,647</u>	<u>-</u>	<u>-</u>	<u>2,035,647</u>	<u>1,787,668</u>
Net assets released from restrictions	<u>328,558</u>	<u>(328,558)</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	14,277	130,031	-	144,308	111,570
NET ASSETS, BEGINNING OF YEAR	<u>1,218,669</u>	<u>197,119</u>	<u>-</u>	<u>1,415,788</u>	<u>1,304,219</u>
TRANSFERS	<u>(11,000)</u>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 1,221,946</u>	<u>\$ 327,150</u>	<u>\$ 11,000</u>	<u>\$ 1,560,096</u>	<u>\$ 1,415,789</u>

See accompanying notes and independent auditor's report.

Big Brothers Big Sisters of the Midlands
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2015
(With comparative totals for 2014)

	Management and General	Fundraising	Program	Totals	
				2015	2014
Salaries	\$ 83,916	\$ 133,204	\$ 934,444	\$ 1,151,564	\$ 1,043,427
Benefits	2,702	12,052	134,942	149,696	120,297
Taxes & Withholdings	6,169	10,024	70,062	86,255	74,628
Total salaries and benefits	<u>92,787</u>	<u>155,280</u>	<u>1,139,448</u>	<u>1,387,515</u>	<u>1,238,352</u>
Background Checks	-	-	510	510	632
Membership Dues/Fees	350	315	15,744	16,409	16,565
Equipment Rental & Maintenance	1,089	1,634	10,897	13,620	12,678
Recruitment	-	-	31,952	31,952	62,592
Fund Development	2,039	62,341	3,720	68,100	74,952
In-Kind Donation	-	-	174,218	174,218	103,693
Insurance	3,389	5,102	34,331	42,822	40,835
Marketing & Promotion	125	-	-	125	-
Other (Miscellaneous)	43,561	594	8,470	52,625	5,834
Occupancy	7,337	10,931	74,880	93,148	94,088
Supplies	1,472	7,174	13,419	22,065	16,031
Postage & Delivery	473	730	4,632	5,835	8,505
Printing & Publication	-	-	21	21	398
Professional Fees	15,204	2,775	16,004	33,983	27,241
Telecommunications	3,180	4,293	14,288	21,761	18,575
Travel	335	1,957	24,230	26,522	30,849
Conference/Meetings	3,096	2,368	9,738	15,202	13,748
Program Services	-	-	38,327	38,327	31,619
Bank Charges & Fees	-	3,192	-	3,192	2,866
Total expenses	<u>174,437</u>	<u>258,686</u>	<u>1,614,829</u>	<u>2,047,952</u>	<u>1,800,053</u>
Depreciation	6,106	-	678	6,784	7,413
Less Direct Benefit to Donors	-	(19,089)	-	(19,089)	(19,798)
Total expenses per the statement of activities	<u>\$ 180,543</u>	<u>\$ 239,597</u>	<u>\$ 1,615,507</u>	<u>\$ 2,035,647</u>	<u>\$ 1,787,668</u>

See accompanying notes and independent auditor's report.

Big Brothers Big Sisters of the Midlands
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015
(With comparative totals for 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 144,308	\$ 111,570
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,784	7,413
(Increase)/Decrease in accounts receivable	(3,598)	(6,091)
(Increase)/Decrease in promises to give	(44,903)	(12,273)
(Increase)/Decrease in prepaid expenses	(1,803)	1,164
Increase/(Decrease) in accounts payable	(4,932)	4,930
Increase/(Decrease) in other accrued expenses	-	(10,503)
Increase/(Decrease) in accrued vacations	15,257	(3,638)
Increase/(Decrease) in accrued wages	(39,089)	30,771
Increase/(Decrease) in deferred gain on sale	(5,332)	(5,331)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 66,692	\$ 118,012
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(7,851)
Proceeds from notes receivable	68,364	31,403
Purchase of investments	(73,629)	(4,194)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	\$ (5,265)	\$ 19,358
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	61,427	137,370
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	409,743	272,373
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 471,170	\$ 409,743

See accompanying notes and independent auditor's report.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies of Big Brothers Big Sisters of the Midlands

1. Nature of the Organization

Big Brothers Big Sisters of the Midlands of the Midlands (the Organization), is a 501(c)(3) nonprofit organization for the purpose of providing children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever.

2. Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues are recorded when earned and expenses are recorded when incurred.

3. Revenue Recognition

Contributions are generally recognized as earned in the reporting period received. They are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Grant revenue is recognized as earned when eligibility requirements have been met, which is primarily when allowable and/or directed expenditures, as dictated by grant awards, are incurred, and when collectability is reasonably ensured.

The Organization recognizes program and special events revenue as services are performed or special events are held.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. Actual results could differ from those estimates.

5. Financial Statement Presentation

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 Not-for-Profit Entities Presentation of Financial Statements. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

- a. Unrestricted net assets include those net assets (net of related liabilities) whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by Board designation and are available to support the operations of Big Brothers Big Sisters of the Midlands
- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time or after specified dates or to specified purposes. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is recorded as an increase to unrestricted net assets if the restriction expires in the reporting period in which the support is recognized.
- c. Permanently restricted net assets are those net assets whose use by the Organization has donor-imposed restrictions that stipulate resources be maintained permanently. Generally, the donors of these assets permit the Organization to expend part or all of the income (or economic benefits) derived from the donated assets.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for the purposes of the statement of cash flows.

7. Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Donated investments securities are recorded as contributions at their estimated fair value at the date of donation. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

8. Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives for significant equipment are 3 to 15 years.

Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Contributed property and equipment is recorded at fair value at the date of the donation.

9. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in the appropriate category of restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

9. Promises to Give - Continued

Promises to give are considered by management to be fully collectible, therefore, no allowance for doubtful accounts is provided. In management's opinion, the carrying value of all receivables approximates fair value.

Management considers all receivables to be fully collectible; therefore, no allowance for doubtful promises to give has been established. In management's opinion, the carrying value of all receivables approximates fair value.

10. Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among programs and supporting services are based on management's estimate of services benefited.

11. Income Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no income taxes are included in these financial statements. The Internal Revenue Service has classified the Organization as an organization other than a private foundation.

The Organization's federal information return of Organization Exempt from Income Tax returns (Form 990) for 2014, 2013, and 2012 are subject to examination by the IRS, generally for three years after they are filed.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

12. Comparative Financial Information and Reclassifications

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets, are unchanged due to these reclassifications.

13. Compensated Absences

The Organization's policy is to allow its employees to accrue a maximum of 30 personal time-off days. In addition employees shall be paid for any personal time off days at the time of leaving the Organization's employ. Total accrued leave as of December 31, 2015 was \$51,029.

NOTE B. CASH AND CREDIT RISK

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2015, the Organization had deposits in excess of FDIC insured limits of \$325,454.

Big Brothers Big Sisters of the Midlands
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 For the year ended December 31, 2015

NOTE C. INVESTMENTS

ASC Topic 820, Fair Value Measurements and Disclosures Topic, establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value.

The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable.

Observable inputs reflect market-derived or market based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

Level 1 - Valuation is based on quoted prices in active markets for identical securities.

Level 2 - Valuation is based upon other significant observable inputs.

Level 3 - Valuation is based upon significant unobservable inputs (i.e., supported by little or no market activity).

The level in the fair value hierarchy within which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	Fair Value Measurements
	Fair Value - Level 1
Money market	\$ 798,633
Board designated - building fund	9,065
Permanently restricted endowment	10,771
Total	\$ 818,469

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE C. FAIR VALUE MEASUREMENTS - CONTINUED

Investment transactions as of December 31, 2015, were as follows:

Interest and dividends	\$	3,028
Hamilton property investment revenue		12,558
Unrealized gains (losses)		(229)
Net change in investments	<u>\$</u>	<u>15,357</u>

NOTE D. CONCENTRATIONS OF RISK

The Organization receives a substantial portion of its revenues from United Way of the Midlands. For the year ended December 31, 2015, revenue from United Way of the Midlands accounted for 11% of total revenues.

NOTE E. RETIREMENT PLAN

The Organization maintains a Simple IRA pension plan for the benefit of the employees. The Organization makes a contribution to the plan each year equal to 100% of the salary reduction amount for that participant, up to a maximum of 3% of compensation. Contributions totaled \$26,993 for the year ended December 31, 2015.

NOTE F. NOTE RECEIVABLE / RENTAL INCOME

The Organization entered into a lease agreement with a local organization for a building that the Organization owns. The terms of the lease call for monthly lease payments and reimbursements of CAM expenses.

NOTE F. NOTE RECEIVABLE / RENTAL INCOME - CONTINUED

At December 31, 2011, the Organization determined to account for the lease of the property as a capital lease under the installment method of accounting. The Organization recorded a note receivable of \$343,825 which represents the net present value of future payments under the lease agreement. The Organization also recorded a deferred gain of \$47,543 related to this lease agreement. As of December 31, 2015, the note receivable and deferred gain balances were \$181,956 and \$26,216 respectively. Future payments will be applied to the receivable and the deferred gain until a purchase option is executed.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE F. NOTE RECEIVABLE / RENTAL INCOME - CONTINUED

Future minimum lease payments are as follows:

Year ending December 31,		
2016	\$	42,180
2017		35,840
2018		35,840
2019		35,840
2020		32,256
Total	\$	<u><u>181,956</u></u>

NOTE G. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office equipment	\$	49,409
Computers & software		44,346
Total		<u>93,755</u>
Less accumulated depreciation		<u>(80,229)</u>
Total Fixed assets	\$	<u><u>13,526</u></u>

NOTE H. LEASE COMMITMENT

The Organization leases some of its office equipment under non-cancelable operating leases. The leases contain renewal options and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for the lease was \$13,620 for the year ended December 31, 2015.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE H. LEASE COMMITMENT - CONTINUED

Future minimum lease payments under the operating leases as of December 31, 2015 are:

Year ending December 31:	
2016	8,940
2017	7,440
2018	1,785
Total Future minimum payments	\$ 18,165

Big Brothers Big Sisters of the Midlands obtained a lease for office space in October 2007. The base rent was \$6,500 per month beginning in February 2008 through October 2014. During the months of October 2007 through January 2008, no rent was due. The lease was renewed in October 2014 for a three-year term at \$6,610 per month. Total rent expense for the year ended December 31, 2015 was \$80,078.

Future minimum lease payments under the operating leases as of December 31, 2015 are:

Year ending December 31:	
2016	79,326
2017	79,326
Total Future minimum payments	\$ 158,652

NOTE I. TEMPORARILY RESTRICTED NET ASSETS

The Organization has net assets which are temporarily restricted by the donors for the benefit of future years. As of December 31, 2015 temporarily restricted net assets totaled \$327,150.

During the year ended December 31, 2015 net assets of \$328,558 were released from donor restrictions.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2015

NOTE J. PERMANENTLY RESTRICTED NET ASSETS

The Organization's endowment funds consist of funds designated by the Board to function as an endowment. As required by generally accepted accounting principles, net assets and the changes therein associated with endowment funds, including fund designations by the Board of Directors to function as endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

During the year the Organization invested \$10,000 in a permanently restricted endowment. An additional \$1,000 was matched by the Omaha Community Foundation. As of December 31, 2015 permanently restricted net assets totaled \$11,000.

The fund is to be used for support of the charitable or educational purposes of Big Brothers Big Sisters of the Midlands and its affiliated agencies.

NOTE K. IN-KIND DONATIONS

The Organization records various types of in-kind support, including services, materials, and other tangible assets. GAAP requires recognition of professional services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended December 31, 2015 in-kind materials and services totaled \$174,218. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

NOTE L. SUBSEQUENT EVENTS

Subsequent events have been assessed through May 10, 2016, which is the date the financial statements were available to be issued, and has concluded there were no events or transactions occurring between year-end and this date that would require recognition or disclosure in the financial statements other than those already disclosed