

**Big Brothers Big Sisters of the Midlands
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
For the year ended December 31, 2017**

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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, 2017, 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, 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.

Hayes & Associates, L.L.C.

Hayes & Associates, L.L.C.
Omaha, Nebraska
April 24, 2018

Big Brothers Big Sisters of the Midlands
STATEMENT OF FINANCIAL POSITION
December 31, 2017

	2017
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 1,332,097
Investments	12,424
Unconditional promises to give (less discount of \$2,000)	306,000
Prepaid expenses	29,920
Total current assets	1,680,441
NONCURRENT ASSETS	
Long-term unconditional promises to give (less discount of \$400)	14,600
Property and equipment, net of accumulated depreciation of \$89,752	4,003
Total noncurrent assets	18,603
Total assets	\$ 1,699,044
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 3,882
Accrued vacation	70,032
Accrued wages	27,664
Total current liabilities	101,578
NET ASSETS	
Unrestricted	1,263,467
Temporarily restricted	322,999
Permanently restricted	11,000
Total net assets	1,597,466
Total liabilities and net assets	\$ 1,699,044

See accompanying notes and independent auditor's report.

Big Brothers Big Sisters of the Midlands
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017
REVENUE, SUPPORT, AND GAINS				
Support				
Contributions	\$ 920,554	\$ -	\$ -	\$ 920,554
United Way of the Midlands	29,447	191,000	-	220,447
Grants	459,472	182,500	-	641,972
Special events	420,438	-	-	420,438
Less: Direct Benefit to Donors	(37,660)	-	-	(37,660)
In-kind contributions	156,315	-	-	156,315
Revenue				
Investment revenue	10,060	-	-	10,060
Gain on sale of property	19,287	-	-	19,287
Miscellaneous income	7,324	-	-	7,324
Total support and revenue	1,985,237	373,500	-	2,358,737
EXPENSES				
Program	2,011,330	-	-	2,011,330
Management and General	142,808	-	-	142,808
Fundraising	285,228	-	-	285,228
Total expenses	2,439,366	-	-	2,439,366
Net assets released from restrictions	523,750	(523,750)	-	-
CHANGE IN NET ASSETS	69,621	(150,250)	-	(80,629)
NET ASSETS, BEGINNING OF YEAR	1,193,846	473,249	11,000	1,678,095
NET ASSETS, END OF YEAR	\$ 1,263,467	\$ 322,999	\$ 11,000	\$ 1,597,466

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, 2017

	Program	Management and General	Fundraising	2017
Salaries	\$ 1,222,935	\$ 94,578	\$ 170,353	\$ 1,487,866
Benefits	181,217	1,570	9,555	192,342
Taxes & Withholdings	90,961	6,937	12,923	110,821
Total salaries and benefits	<u>1,495,113</u>	<u>103,085</u>	<u>192,831</u>	<u>1,791,029</u>
Background Checks	2,198	-	-	2,198
Membership Dues/Fees	17,933	100	623	18,656
Equipment Rental & Maintenance	13,603	1,287	2,031	16,921
Recruitment	44,729	-	-	44,729
Fund Development	-	-	75,150	75,150
In-Kind Donations	156,315	-	-	156,315
Insurance	40,907	3,644	5,960	50,511
Other (Miscellaneous)	4,250	1,964	304	6,518
Occupancy	83,653	8,411	12,551	104,615
Supplies	21,381	2,496	16,934	40,811
Postage & Delivery	4,506	437	675	5,618
Printing & Publication	23	94	-	117
Professional Fees	27,315	16,759	5,459	49,533
Telecommunications	13,650	1,209	3,773	18,632
Travel	29,160	2,376	1,918	33,454
Conference/Meetings	9,072	720	1,516	11,308
Program Services	44,428	-	-	44,428
Bank Charges & Fees	-	-	2,710	2,710
Total expenses before depreciation and direct benefits to donors	<u>2,008,236</u>	<u>142,582</u>	<u>322,435</u>	<u>2,473,253</u>
Depreciation	3,094	226	453	3,773
Less Direct Benefit to Donors	-	-	(37,660)	(37,660)
Total expenses	<u>\$ 2,011,330</u>	<u>\$ 142,808</u>	<u>\$ 285,228</u>	<u>\$ 2,439,366</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, 2017

	2017
CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (80,629)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,773
(Increase)/Decrease in promises to give	(16,175)
(Increase)/Decrease in prepaid expenses	(21,437)
Increase/(Decrease) in accounts payable	547
Increase/(Decrease) in accrued vacations	702
Increase/(Decrease) in accrued wages	1,805
Increase/(Decrease) in security deposit	(2,987)
Increase/(Decrease) in deferred gain on sale	(20,884)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(135,285)
CASH FLOWS FROM INVESTING ACTIVITIES	
Reclassification of money market accounts	799,862
Proceeds from notes receivable	146,116
Purchase of investments	7,836
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	953,814
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	818,529
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	513,568
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,332,097

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, 2017

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. 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.

4. 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

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Financial Statement Presentation - Continued

- b. Temporarily restricted net assets are those net assets whose use by the Organization has been limited by donors to later periods of time, 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.

5. Revenue Recognition

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. Intentions to give are not recorded.

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.

Grant revenue is recognized 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, 2017

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 securities and money markets 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.

9. Accounts Receivable

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.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

12. 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 employment.

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, 2017, the Organization had deposits in excess of FDIC insured limits of \$378,854. Included in the insured and uninsured amounts include \$810,291 in money market accounts.

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.

Big Brothers Big Sisters of the Midlands
 NOTES TO FINANCIAL STATEMENTS – CONTINUED
 For the year ended December 31, 2017

NOTE C. INVESTMENTS - CONTINUED

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, 2017, are as follows:

	Fair Value Measurements
	Fair Value - Level 1
Beneficiary interest in investments with Omaha Community Foundation	\$ 12,424

Investment transactions as of December 31, 2017, were as follows:

Interest and dividends	\$ 8,871
Unrealized gains (losses)	1,189
Total investment income	\$ 10,060

NOTE D. PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when received. The Organization distinguishes between contributions received for each category of restricted net assets in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. A discount rate of 1.36% was used on the future receipts. This represents the daily treasury rate that approximates the term of the promises to give.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE D. PROMISES TO GIVE - CONTINUED

Pledges are expected to be realized in the following periods:

	2017
In one year or less	\$ 308,168
Between one year and five years	15,000
	323,168
Less:	
Discount, at 1.36%	(2,568)
	\$ 320,600

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 \$30,821 for the year ended December 31, 2017.

NOTE F. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Office equipment	\$ 49,409
Computers & software	44,346
Total	93,755
Less accumulated depreciation	(89,752)
Total Fixed assets	\$ 4,003

NOTE G. 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 \$16,921 for the year ended December 31, 2017.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE G. LEASE COMMITMENT - CONTINUED

Future minimum lease payments under the operating leases as of December 31, 2017 are:

Year ending December 31:	
2018	\$ 3,585
2019	1,800
2020	1,800
2021	1,800
2022	750
Total Future minimum payments	\$ 9,735

Big Brothers Big Sisters of the Midlands obtained a lease for office space in October 2007. In 2016 the Organization gained additional space and an amendment was made to the lease agreement. The amendment increased the rent to \$7,870 per month effective May 2016 and ending October 31, 2019. Total rent expense for the year ended December 31, 2017 was \$95,762.

Future minimum lease payments under the operating leases as of December 31, 2017 are:

Year ending December 31:	
2018	\$ 94,440
2019	78,700
Total Future minimum payments	\$ 173,140

NOTE H. 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, 2017, temporarily restricted net assets totaled \$322,999. During the year ended December 31, 2017, net assets of \$523,750 were released from donor restrictions.

Temporarily restricted net assets are those whose use by Big Brothers Big Sisters of the Midlands has been limited by donors to a specific time period or for a specific purpose. Temporarily restricted net assets consist of the following at December 31, 2017:

Time-based restriction	\$ 322,999
Total temporarily restricted net assets	\$ 322,999

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE I. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose restriction. Net assets released from restriction in the year ended December 31, 2017, were as follows:

Community-based mentoring program	\$ 320,500
Time-based restriction	<u>203,250</u>
Total net assets released from restriction	<u>\$ 523,750</u>

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 of donor-imposed restrictions. The fund shall be the property of the OCF held by it in its corporate capacity and shall not be deemed a trust fund held by it in a trustee company. The OCF shall have the ultimate authority and control over all property held in the fund and the income derived from the fund.

During 2015 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, 2017 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, 2017, in-kind materials and services totaled \$156,315. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

Big Brothers Big Sisters of the Midlands
NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the year ended December 31, 2017

NOTE L. ADVERTISING COSTS

The Organization uses advertising to promote its programs, recruit volunteer mentors, and raise awareness about community-based mentoring. Advertising costs are expensed as incurred and included within the recruitment line on the statement of functional expenses. Advertising expense for the year ended December 31, 2017 was \$103,952, of which \$61,200 was received as an in-kind donation.

NOTE M. SUBSEQUENT EVENTS

Subsequent events have been assessed through April 24, 2018, which is the date the financial statements were issued, and has concluded that 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.