

BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

For the year ended

December 31, 2018

**(with comparative financial information for the
year ended December 31, 2017)**

BIG BROTHERS BIG SISTERS SERVICES, INC.

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Frank Barcalow CPA, P.L.L.C.
Independent Auditor's Report

Big Brothers Big Sisters Services, Inc.
The Board of Directors
Richmond, Virginia

We have audited the accompanying financial statements of Big Brothers Big Sisters Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018 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 Services, Inc. as of December 31, 2018 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 Services, Inc. financial statements, and our report dated March 26, 2018, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia

February 27, 2019

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Members American Institute of Certified Public Accountants

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SERVICES, INC.**

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Statements of Financial Position

December 31, 2018

(with comparative totals for the year ended December 31, 2017)

Assets	2018	2017
Current assets		
Cash and cash equivalents	\$ 166,784	\$ 187,838
Contributions receivable, net	7,900	21,732
Grants receivable	118,000	103,333
United Way allocations and contributor choice	108,600	49,012
Other assets	8,031	1,867
Total current assets	409,315	363,782
Non current assets		
Investments	207,364	165,058
Deposits	5,250	5,250
Property, equipment and improvements, net of accumulated depreciation of \$26,143 for 2018 and \$36,805 for 2017, respectively	20,896	18,495
Total noncurrent assets	233,510	188,803
Total assets	\$ 642,825	\$ 552,585
Liabilities and Net assets		
Liabilities		
Accounts payable	\$ 8,956	\$ 11,937
Accrued expenses	36,471	43,947
Unearned income	-	1,500
Total liabilities	45,427	57,384
Net assets		
Net assets without donor restrictions	278,002	194,296
Net assets without donor restrictions, property and equipment	20,896	18,495
Total net assets without restrictions	298,898	212,791
Net assets with donor restrictions	298,500	282,410
Total net assets	597,398	495,201
Total liabilities and net assets	\$ 642,825	\$ 552,585

See notes to the financial statements.

**BIG BROTHERS BIG SISTERS
SERVICES, INC.**

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Statement of Activities

**Years Ended December 31, 2018
(with summarized financial information for the
year ended December 31, 2017)**

	<u>Net assets with Donor Restrictions</u>	<u>Net assets without Donor Restrictions</u>	<u>Total 2018</u>	<u>Total 2017</u>
Public support and revenue				
Contributions	\$ 179,614	\$ -	\$ 179,614	\$ 161,023
United Way allocations and designations	-	213,608	213,608	109,722
Grants	-	452,372	452,372	489,800
Special events	230,514	-	230,514	222,338
Investment income	6,203	-	6,203	5,208
Unrealized gains (losses)	(11,526)	-	(11,526)	6,963
Other income	836	-	836	657
	<u>405,641</u>	<u>665,980</u>	<u>1,071,621</u>	<u>995,711</u>
Total public support and revenue				
Net assets released from restrictions	<u>649,890</u>	<u>(649,890)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,055,531</u>	<u>16,090</u>	<u>1,071,621</u>	<u>995,711</u>
Expenditures				
Program services	812,897	-	812,897	814,911
Total program services	<u>812,897</u>	<u>-</u>	<u>812,897</u>	<u>814,911</u>
Supporting services				
Development	107,353	-	107,353	95,669
General and administrative	108,438	-	108,438	63,401
Total supporting services	<u>215,791</u>	<u>-</u>	<u>215,791</u>	<u>159,070</u>
Total expenditures	<u>1,028,688</u>	<u>-</u>	<u>1,028,688</u>	<u>973,981</u>
Change in net assets	26,843	16,090	42,933	21,730
Net assets, beginning of the year	<u>212,791</u>	<u>282,410</u>	<u>495,201</u>	<u>473,471</u>
Acquisition of net assets of Big Brothers Big Sisters Greater Virginia Peninsula	<u>59,264</u>	<u>-</u>	<u>59,264</u>	<u>-</u>
Net assets, end of the year	<u>\$ 298,898</u>	<u>\$ 298,500</u>	<u>\$ 597,398</u>	<u>\$ 495,201</u>

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

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Statement of Functional Expenses

Year ended December 31, 2018

(with summarized totals for the year ended December 31, 2017)

	<u>Program Services</u>	<u>Development</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>2018 Total Expenses</u>	<u>2017 Total Expenses</u>
Salaries	\$ 440,548	\$ 55,031	\$ 65,385	\$ 120,416	\$ 560,964	\$ 498,913
Employee benefits	59,148	5,872	13,878	19,750	78,898	77,249
Payroll taxes, etc.	40,732	4,126	4,676	8,802	49,534	45,488
Total salaries and related expenses	540,428	65,029	83,939	148,968	689,396	621,650
Professional fees and contract services	31,064	15,570	10,132	25,702	56,766	55,342
Special events	52,547	7,376	-	7,376	59,923	65,149
Office Supplies	2,494	-	2,269	2,269	4,763	3,176
Telephone	9,500	-	315	315	9,815	9,568
Postage	2,488	-	-	-	2,488	2,872
Occupancy	75,985	-	-	-	75,985	70,626
Printing and public relations	2,267	15,663	-	15,663	17,930	8,061
Travel and conferences	25,803	774	2,953	3,727	29,530	26,657
National Dues	9,867	-	-	-	9,867	9,837
Equipment rental and maintenance	17,428	2,941	-	2,941	20,369	19,276
Insurance	12,803	-	-	-	12,803	11,919
Depreciation	6,535	-	-	-	6,535	5,675
Bad debts	-	-	-	-	-	24,510
Miscellaneous	23,688	-	8,830	8,830	32,518	39,663
Total expenses	\$ 812,897	\$ 107,353	\$ 108,438	\$ 215,791	\$ 1,028,688	\$ 973,981

See notes to the financial statements.

**BIG BROTHER BIG SISTERS
SERVICES, INC.**

Statements of Cash Flows

Years Ended December 31, 2018

(with comparative totals for the year ended December 31, 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in net assets	\$ 42,933	\$ 21,730
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,535	5,675
Inkind income	8,000	(4,215)
Inkind expenses	(8,000)	4,215
Bad debt expenses	-	24,510
Loss from disposal of equipment	-	990
Unrealized (gains) losses on investments	11,526	(6,963)
(Increase) decrease in contributions receivable	13,832	8,580
(Increase) decrease in grants receivable	(14,667)	36,667
(Increase) decrease in United Way allocation and contributor choice	(59,588)	(3,512)
(Increase) decrease in other assets	(6,164)	162
Increase (decrease) in accounts payable and accrued liabilities	(10,459)	(7,389)
Increase (decrease) in unearned income	(1,500)	(441)
Net cash provided by (used in) operating activities	<u>(17,552)</u>	<u>80,009</u>
Cash flows from investing activities		
Acquisition of net assets from Big Brothers Big Sisters Greater Virginia Peninsula	59,264	-
Purchase of equipment	(8,935)	(10,575)
Purchase of investments	(53,831)	(3,386)
Net cash provided by (used in) investing activities	<u>(3,502)</u>	<u>(13,961)</u>
Net increase (decrease) in cash and cash equivalents	(21,054)	66,048
Cash and cash equivalents at beginning of year	<u>187,838</u>	<u>121,790</u>
Cash and cash equivalents at end of year	\$ <u><u>166,784</u></u>	\$ <u><u>187,838</u></u>

Notes to Financial Statements

December 31, 2018

Note 1 - Organization and summary of significant accounting policies

Nature of the Organization

Big Brothers Big Sisters Services, Inc. (the Organization) is an independent not-for-profit non-stock corporation, established for the purpose of organizing in Central Virginia a group of mature and responsible persons to voluntarily assist, counsel, and guide boys and girls who lack an adequate adult figure in their lives. A significant portion of the Organization's revenues is derived from contributions received from United Way Services.

Basis of accounting and presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets without donor restrictions are assets that are no subject to or are no longer subject to donor-imposed stipulations.

New accounting pronouncement

In 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, Presentation of Financial Statements of *Not-for-Profit Entities*. The Organization adopted the new standard as of January 1, 2018. In addition to changes in terminology used to describe categories of new assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources, and disclosures related to functional allocation of expenses were expanded.

Under generally accepted accounting principles of the United States, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Unrestricted net assets have been renamed net assets without donor restrictions. Temporarily restricted net assets have been renamed net assets with donor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets without donor restrictions are assets that are no subject to or are no longer subject to donor-imposed stipulations.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 events and circumstances could alter those estimates.

Cash and cash equivalents

For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase.

Notes to Financial Statements

December 31, 2018

Note 1 - Summary of significant accounting policies (concluded)

Advertising

Advertising costs are expensed when incurred. There were no expenses for advertising for 2018 and 2017.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized and realized gains and losses are included in the change in net assets.

Property and equipment

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment at cost, and all donated property and equipment at fair market value at date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets of five years. Generally, the costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The cost and accumulated depreciation on property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in income.

BIG BROTHERS BIG SISTERS SERVICES, INC.

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Notes to Financial Statements

December 31, 2018

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received.

Allowance for Doubtful Accounts

The allowance for uncollectible contributions was \$0 and \$18,398 at December 31, 2018 and 2017, respectively.

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items in accordance with FASB Accounting Standards Codification 958, *Not for Profit Entities*. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time and perform a variety of tasks. Total contributed services was \$8,000 for donated space at December 31, 2018.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefitted. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; other costs allocated include supplies, which are allocated on usage.

Deferred Revenue

Deferred revenue consists of unexpended grant funds received for the next year's programs or received in advance.

Notes to Financial Statements

December 31, 2018

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of the Internal Revenue Code. However, income from certain activities not directly related to the Organization’s tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2018. Fiscal years ending on or after December 31, 2015 remain subject to examination by federal and state tax authorities.

Note 2 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Richmond, Virginia, which are insured at the federally insured limits of \$250,000. The Organization has not experienced any losses in such accounts. The Organization’s unsecured receivables are due from pledges from individuals, other non-profit organizations, and corporations; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 3 - Investments

Investments are stated at their readily determinable fair value and are summarized as follows as of December 31, 2018 and 2017:

	<u>Fair Market Value</u>	<u>Cost</u>
Cash and money market funds	\$ 7 414	\$ 7 414
Equity funds	69 750	63 513
Fixed income funds	<u>130 200</u>	<u>136 748</u>
	<u>\$ 207 364</u>	<u>\$ 207 672</u>

	<u>Fair Market Value</u>	<u>Cost</u>
Cash and money market funds	\$ 5 810	\$ 5 810
Equity funds	65 759	51 626
Fixed income funds	<u>93 489</u>	<u>96 439</u>
	<u>\$ 165 058</u>	<u>\$ 153 876</u>

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Notes to Financial Statements

December 31, 2018

Note 4 – Commitments

Big Brothers Big Sisters Services, Inc. leases administrative office space in Richmond, Virginia and Norfolk, Virginia under non cancellable operating leases which expire July 31, 2024 and January 31, 2020, respectively. The following schedule by years of future minimum rental payments under these leases at December 31, 2018:

2019	\$	74 833
2020		67 090
2021		68 188
2022		70 232
2023		72 336
Thereafter		<u>24 348</u>
	\$	<u><u>377 024</u></u>

Total rent expense for the current year totaled \$75,985 and included in occupancy expense

Note 5 - National Dues

The Organization is required to make support payments to Big Brothers Big Sisters of America (National) based on adjusted expenditures as defined by National. During the year ended December 31, 2018 the required payments amounted to \$9,867. National provides various program services in return for these payments.

Note 6 – Contributions receivable

Unconditional promises to give as of December 31, 2018 and 2017 are as follows:

Receivable in less than one year	\$	7 900	\$	40 130
Receivable in one to five years		<u>-</u>		<u>-</u>
		7 900		40 130
Less allowance		<u>-</u>		<u>18 398</u>
Net pledges receivable	\$	<u><u>7 900</u></u>	\$	<u><u>21 732</u></u>

Notes to Financial Statements

December 31, 2018

Note 7- Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2018 and 2017:

Pledges receivable	\$ 7 900	\$ 21 732
United Way allocation and contributor choice	108 600	49 012
Mentoring	162 000	191 666
Software	<u>20 000</u>	<u>20 000</u>
Net assets with donor restrictions	\$ <u>298 500</u>	\$ <u>282 410</u>

Net assets released from restrictions of \$649,890, are related to purpose restrictions being met. Net assets released from restrictions of \$49,012 are related to time restrictions, for a total of \$600,878 for the year ended December 31, 2018. Net assets with donor restrictions include pledges and grants receivable, United Way allocation receivable, cash and cash equivalents, and investments.

Note 8 - Retirement plans

The Organization participates in a defined multiple employer benefit plan, which extends to the participating affiliated agencies with United Way of Greater Richmond & Petersburg as administrator, which has been frozen since 2008. Each year the administrator sets a rate of contribution for covered salaries for all affiliated agencies.

The economic recession depreciated pension plan assets while at the same time the pension liability continued to grow. The United Way of Greater Richmond & Petersburg plans to close the pension plan within the next five years. Any unfunded liability amounts will be assessed to the remaining participating agencies. The underfunded amount will be recalculated each year as interest rates change. The Organization’s related retirement expense for December 31, 2018 was \$32,010.

The Organization also has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participate in a voluntary payroll deduction. The Organization did not contribute to the plan for the year ended December 31, 2018.

Note 9 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 27, 2019, the date the financial statements were issued.

Subsequent to the year ended, the Organization signed contract for approximately \$5,000 for office painting.

Note 10 - Future accounting pronouncements

In February 2016, *Financial Accounting Standards Board* (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2019.

BIG BROTHERS BIG SISTERS SERVICES, INC.

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Notes to Financial Statements

December 31, 2018

Note 10 - Fair value measurements

The Organization adopted FASB ASC 850, formerly, SFAS No. 157 “Fair Value Measurements” to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy, based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Note 11 – Concentration of funding

The Organization received approximately 26% of approximately \$277,000, of its total support and revenue from a grant from Altria, for the year ended December 31, 2018.

Note 12 - Liquidity and Availability of Financial Assets

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

	<u>2018</u>	<u>2017</u>
Total financial assets	\$ 166 784	\$ 187 838
Less those available for general expenditures within one year due to:		
Purpose restrictions	<u>64 000</u>	<u>104 300</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 102 784</u>	<u>\$ 83 538</u>

Note 13 - Acquisition of net assets of Big Brothers Big Sisters Greater Virginia Peninsula

Effective February 28, 2018 the Organization acquired the net assets of Big Brothers Big Sisters Greater Virginia Peninsula. Big Brothers Big Sisters Greater Virginia Peninsula has dissolved and all of its assets were assumed by the Organization, including the rights, title, and interest in all related assets. Total assets received by the Organization amounted to \$59,264; all of Big Brothers Big Sisters Greater Virginia Peninsula’s liabilities were paid prior to dissolution. Assets acquired were cash and cash equivalents.