BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

For the year ended
December 31, 2017
(with comparative financial information for the
year ended December 31, 2016)

BIG BROTHERS BIG SISTERS SERVICES, INC.

Contents

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, 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 Services, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters Services, Inc. financial statements, and our report dated March 15, 2017, 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, 2016, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia

March 26, 2018

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Members American Institute of Certified Public Accountants

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Financial Position

December 31, 2017
(with comparative totals for the year ended December 31, 2016)

Assets		**2017**		**2016**
Current assets				
Cash and cash equivalents	$	187,838	$	121,790
Contributions receivable, net		21,732		54,822
Grants receivable		103,333		140,000
United Way allocations and contributor choice		49,012		45,500
Other assets		1,867		2,029
Total current assets		363,782		364,141
Non current assets				
Investments		165,058		154,708
Contributions receivable, net		-		-
Deposits		5,250		5,250
Property, equipment and improvements, net of accumulated depreciation of $36,805 for 2017 and $35,740 for 2016, respectively		18,495		14,586
Total noncurrent assets		188,803		174,544
Total assets	$	552,585	$	538,685
Liabilities and Net assets				
Liabilities				
Accounts payable	$	11,937	$	18,509
Accrued expenses		43,947		44,764
Unearned income		1,500		1,941
Total liabilities		57,384		65,214
Net assets				
Unrestricted				
Unrestricted		194,296		167,369
Unrestricted, property and equipment		18,495		14,586
Total unrestricted net assets		212,791		181,955
Temporarily restricted net assets		282,410		291,516
Total net assets		495,201		473,471
Total liabilities and net assets	$	552,585	$	538,685

See notes to the financial statements.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Activities

Year Ended December 31, 2017
(with smmarized financial information for the year ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Public support and revenue				
Contributions	$ 161,023	$ -	$ 161,023	$ 148,044
United Way allocations and designations	-	109,722	109,722	116,585
Grants	-	489,800	489,800	505,825
Special events	222,338	-	222,338	184,697
Investment income	5,208	-	5,208	3,738
Realized gains (losses)	-	-	-	-
Unrealized gains (losses)	6,963	-	6,963	5,229
Other income	657	-	657	4,365
Total public support and revenue	396,189	599,522	995,711	968,483
Net assets released from restrictions	608,628	(608,628)	-	-
Total public support and revenue	1,004,817	(9,106)	995,711	968,483
Expenditures				
Program services	814,911	-	814,911	795,195
Total program services	814,911	-	814,911	795,195
Supporting services				
Development	95,669	-	95,669	84,636
General and administrative	63,401	-	63,401	83,594
Total supporting services	159,070	-	159,070	168,230
Total expenditures	973,981	-	973,981	963,425
Change in net assets	30,836	(9,106)	21,730	5,058
Net assets, beginning of the year	181,955	291,516	473,471	468,413
Net assets, end of the year	$ 212,791	$ 282,410	$ 495,201	$ 473,471

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Functional Expenses
Year ended December 31, 2017
(with summarized totals for the year ended December 31, 2016)

	Program Services	Development	Management and General	Total Supporting Services	2017 Total Expenses	2016 Total Expenses
Salaries	$ 412,290	$ 49,071	$ 37,552	$ 86,623	$ 498,913	$ 472,096
Employee benefits	63,837	7,598	5,814	13,412	77,249	83,452
Payroll taxes, etc.	37,590	4,474	3,424	7,898	45,488	44,541
Total salaries and related expenses	513,717	61,143	46,790	107,933	621,650	600,089
Professional fees and contract services	36,735	9,600	9,007	18,607	55,342	49,851
Special events	49,745	15,404	-	15,404	65,149	53,279
Office Supplies	2,721	-	455	455	3,176	3,125
Telephone	9,456	-	112	112	9,568	8,896
Postage	2,872	-	-	-	2,872	3,447
Occupancy	70,626	-	-	-	70,626	67,642
Printing and public relations	573	7,488	-	7,488	8,061	19,498
Travel and meals	26,125	138	49	187	26,312	14,099
Conferences	345	-	-	-	345	6,963
National Dues	9,837	-	-	-	9,837	9,366
Equipment rental and maintenance	15,929	1,896	1,451	3,347	19,276	18,508
Insurance	11,919	-	-	-	11,919	15,444
Depreciation	5,675	-	-	-	5,675	5,154
Bad debts	24,510	-	-	-	24,510	64,213
Miscellaneous	34,126	-	5,537	5,537	39,663	23,851
Total expenses	$ 814,911	$ 95,669	$ 63,401	$ 159,070	$ 973,981	$ 963,425

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Cash Flows

Year Ended December 31, 2017
(with comparative totals for the year ended December 31, 2016)

	2017	2016
Cash flows from operating activities		
Change in net assets	$ 21,730	$ 5,058
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	5,675	5,154
Inkind income	(4,215)	(1,179)
Inkind expenses	4,215	-
Bad debt expenses	24,510	64,213
Loss from disposal of equipment	990	-
Unrealized (gains) losses on investments	(6,963)	(5,229)
(Increase) decrease in contributions receivable	8,580	15,337
(Increase) decrease in grants receivable	36,667	(73,333)
(Increase) decrease in United Way allocation and contributor choice	(3,512)	(979)
(Increase) decrease in other assets	162	11,499
Increase (decrease) in accounts payable and accrued liabilities	(7,389)	16,611
Increase (decrease) in unearned income	(441)	1,941
Net cash provided by (used in) operating activities	80,009	39,093
Cash flows from investing activities		
Purchase of equipment	(10,575)	(8,748)
Purchase of investments	(3,386)	(1,856)
Net cash provided by (used in) investing activities	(13,961)	(10,604)
Net increase (decrease) in cash and cash equivalents	66,048	28,489
Cash and cash equivalents at beginning of year	121,790	93,301
Cash and cash equivalents at end of year	$ 187,838	$ 121,790

See notes to the financial statements.

Notes to Financial Statements

December 31, 2017

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 presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-225-45-1 "Financial Statements of Not-For-Profit Organizations." Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations or any restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. Included in this category may be gifts held by the Organization pending the use in accorda nce with donor stipulations, and unexpended gifts for capital projects.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At the present time, the Organization does not have any permanently restricted net assets.

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.

Advertising

Advertising costs are expensed when incurred.

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.

Notes to Financial Statements

December 31, 2017

Note 1 - Summary of significant accounting policies (concluded)

Property and depreciation

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.

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 temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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 $18,398 at December 31, 2017 and 2016, 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 $4,215 at December 31, 2017.

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.

Notes to Financial Statements

December 31, 2017

Deferred Revenue

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

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, 2017. Fiscal years ending on or after December 31, 2014 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, 2017 and 2016:

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

	Fair Market Value	Cost
Cash and money market funds	$ 4 620	$ 4 620
Equity funds	59 772	52 008
Fixed income funds	90 316	93 844
	$ 154 708	$ 150 472

Notes to Financial Statements

December 31, 2017

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 August 31, 2019 and January 31, 2020, respectively. The Organization also leases office equipment expiring from October 2018 to August 2019. The following schedule by years of future minimum rental payments under these leases at December 31, 2017:

2018	$	75 481
2019		53 187
2020		880
	$	129 548

Total rent expense for the current year totaled $79,178 and included in occupancy expense and equipment rental 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, 2017 the required payments amounted to $9,837. National provides various program services in return for these payments.

Note 6 – Contributions receivable

Unconditional promises to give as of December 31, 2017 and 2016 are as follows:

Receivable in less than one year	$	40 130	$	73 220
Receivable in one to five years		-		-
		40 130		73 220
Less allowance		18 398		18 398
Net pledges receivable	$	21 732	$	54 822

Notes to Financial Statements

December 31, 2017

Note 7- Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

Pledges receivable	$	21 732	$	54 822
United Way allocation and contributor choice		49 012		45 500
Mentoring		191 666		171 194
Software		20 000		20 000
Net pledges receivable	$	282 410	$	291 516

Net assets released from restrictions of $608,628, are related to purpose restrictions being met. Net assets released from restrictions of $87,835 are related to time restrictions, for a total of $520,793 for the year ended December 31, 2017. Temporarily restricted net assets 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, 2017 was $32,464.

The Organization also has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participates in a voluntary payroll deduction. The Organization did not contribute to the plan for the year ended December 31, 2017.

Note 9 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 26, 2018, the date the financial statements were issued.

Notes to Financial Statements

December 31, 2017

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 and 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 36% of approximately $355,000, of its total support and revenue from a grant from Altria, for the year ended December 31, 2017.