

Big Brothers Big Sisters of Northern Nevada, Inc.

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION**

December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Northern Nevada, Inc.

We have audited the accompanying financial statements of Big Brothers Big Sisters of Northern Nevada, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, 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 include 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 opinion.

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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 Northern Nevada, Inc. as of December 31, 2016, 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 Northern Nevada, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the eighteen months ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Stule & Associates, LLC

Carson City, Nevada
August 10, 2017

Big Brothers and Big Sisters of Northern Nevada, Inc.

STATEMENT OF FINANCIAL POSITION

December 31, 2016

(With summarized financial information for the eighteen months ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 105,779	\$ 84,991
Accounts receivable	-	27,280
Grants receivable	36,310	7,725
Pledge receivable, net	41,517	24,241
Prepaid expenses	6,792	16,579
Investments	389,796	390,984
Total Current Assets	<u>580,194</u>	<u>551,800</u>
Long-term Assets		
Equipment and furniture, net	41,114	56,460
Pledges receivable, net	77,951	50,644
Investments	400,000	400,000
	<u>519,065</u>	<u>507,104</u>
Total Assets	<u><u>\$ 1,099,259</u></u>	<u><u>\$ 1,058,904</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 16,456	\$ 6,021
Due to/Due From FBBBS	89,129	-
Credit card payable	417	725
Deferred revenue	10,000	7,500
Accrued expenses	4,277	6,010
Total Current Liabilities	<u>120,279</u>	<u>20,256</u>
Net Assets		
Unrestricted		
Designated	400,000	400,000
Undesignated	578,980	626,983
Temporarily restricted	-	11,665
	<u>978,980</u>	<u>1,038,648</u>
	<u><u>\$ 1,099,259</u></u>	<u><u>\$ 1,058,904</u></u>

See Accompanying Notes and Independent Auditors' Report

Big Brothers and Big Sisters of Northern Nevada, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2016

(With summarized financial information for the eighteen months ended December 31, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Revenue, Gains, Losses and Other Support				
Contributions	\$ 179,133		\$ 179,133	\$ 220,620
Foundation and Corporate Donations	185,150		185,150	422,412
Third party events	18,532		18,532	18,860
Grants	110,534		110,534	90,505
Special events	235,987		235,987	184,176
Donation Center	1,648		1,648	560,124
Investment return	65,281		65,281	(40,305)
In Kind donations			-	24,853
Miscellaneous Income	21,270		21,270	269
Rental income			-	22,241
Loss on uncollectible promises to give	(5,800)		(5,800)	(1,300)
Loss on disposal of assets			-	-
Net assets released from restrictions			-	-
satisfied by payments	11,665	(11,665)	-	-
Total Revenue, Gains, Losses and Other Support	823,400	(11,665)	811,735	1,502,455
Expenses				
Program services	604,890		604,890	926,254
Management and general	68,953		68,953	305,092
Donation Center	-		-	351,755
Fundraising	197,560		197,560	240,428
Total Expenses	871,403	-	871,403	1,823,529
Increase (Decrease) in Net Assets	(48,003)	(11,665)	(59,668)	(321,074)
Net Assets, Beginning of Period	1,026,983	11,665	1,038,648	1,359,722
Net Assets, End of Period	\$ 978,980	-	\$ 978,980	\$ 1,038,648

See Accompanying Notes and Independent Auditors' Report

Big Brothers and Big Sisters of Northern Nevada, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

(With summarized financial information for the eighteen months ended December 31, 2015)

	2016					2015
		Supporting Services				
	Program Services	Management and General	Fund Raising	Donation Center	Total	Total
Salaries and wages	\$ 402,435	30,687	92,197		525,319	\$ 945,921
Payroll taxes	27,458	2,267	6,973		36,698	72,987
Employee benefits	52,167	2,319	11,456		65,942	139,658
	<u>482,060</u>	<u>35,273</u>	<u>110,626</u>		<u>627,959</u>	<u>1,158,566</u>
Advertising	195				195	14,760
Annual Dinner	154		23,281		23,435	28,171
Awards					-	-
Background Checks	4,656				4,656	10,529
Bank fees		8,814			8,814	9,790
Big Hearts Big Impact					-	-
Giving Campaign					-	4,557
Conferences and meetings	1,297	9	1,831		3,137	4,420
Depreciation		15,345			15,345	36,087
Dues and subscriptions	38	105	850		993	11,061
Equipment	3,807	241	439		4,487	50,164
Grant subcontractors					-	16,520
Insurance	5,055	383	577		6,015	21,908
Interest		35			35	94
Membership expense	11,336				11,336	17,421
Miscellaneous	435	-			435	3,120
Networking events					-	-
Occupancy	32,863	2,505	4,482		39,850	149,248
Over the Edge			33,029		33,029	
Postage	121	498	605		1,224	65,240
Printing	596		488		1,084	47,883
Professional fees	41,319	4,952	8,526		54,797	136,824
Program expenses	7,528		11,491		19,019	5,846
Repairs and maintenance					-	-
Supplies	6,377	94	606		7,077	14,143
Telephone	6,677	699	729		8,105	12,097
Training	230				230	475
Travel	146				146	4,605
	<u>\$ 604,890</u>	<u>\$ 68,953</u>	<u>\$ 197,560</u>	<u>\$ -</u>	<u>\$ 871,403</u>	<u>\$ 1,823,529</u>

See Accompanying Notes and Independent Auditors' Report

Big Brothers and Big Sisters of Northern Nevada, Inc.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

(With summarized financial information for the eightenn months ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (59,668)	\$ (321,074)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	15,346	36,087
(Gain) loss on investments	(39,766)	99,726
(Increase) decrease in:		
Accounts receivable	27,280	18,797
Pledges receivable	(44,583)	(46,409)
Grants receivable	(28,585)	83,444
Other receivable		
Prepaid expenses	9,787	(7,208)
(Decrease) increase in:		
Accounts payable	10,435	(12,806)
Due to/due from FOBBBS	89,129	
Credit card payable	(308)	(337)
Accrued liabilities	(1,733)	(28,481)
Deferred grant revenue	2,500	(22,918)
Net Cash Provided by Operating Activities	<u>(20,166)</u>	<u>(201,179)</u>
Cash Flows from Investment Activities		
Purchase of property and equipment	-	(12,532)
Proceeds from investments	172,073	343,485
Purchase of investments	(131,119)	(290,028)
Net Cash Provided by Investing Activities	<u>40,954</u>	<u>40,925</u>
Net Increase (Decrease) in Cash and Cash Equivalents	20,788	(160,254)
Cash and Cash Equivalents, Beginning of Period	<u>84,991</u>	<u>245,245</u>
Cash and Cash Equivalents, Ending of Period	\$ <u><u>105,779</u></u>	\$ <u><u>84,991</u></u>

See Accompanying Notes and Independent Auditors' Report

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Operations

Big Brothers Big Sisters of Northern Nevada, Inc., (the Organization) was formed on April 21, 2005. The mission of the Organization is to help children, disadvantaged by poverty and fractured families, reach their potential. The Organization carries out this mission through professionally supported, one-to-one mentoring relationships with measureable impact on youth. The Organization serves the Reno, Carson City, Minden, and Gardnerville areas of Northern Nevada. Subsequent to June 30, 2014, the Organization elected to change from a fiscal year end of June 30 to a calendar year end of December 31. Consequently the comparative information included in these financial statements represents 18 months of activity for the period from July 1, 2014 through December 31, 2015.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting; whereby, income is recognized when earned and costs and expenses are recognized when the obligations are incurred. Accordingly, all significant receivables, payables, and other liabilities are reflected.

C. Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its FASB ASC 958-210-45-1, *Financial Statements for Not-for-Profit Organizations*. Under FASB ASC 958-210-45-1, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2016, there are no permanently or temporarily restricted net assets.

D. Prior-Year Comparative Information

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the eighteen months ended December 31, 2015, from which the summarized information was derived.

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Cash and Cash Equivalents

Cash and cash equivalents include both unrestricted and restricted cash. The Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. At December 31, 2016, there were no cash equivalents.

F. Tax Status

The Organization is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no liability for federal income taxes has been provided in the financial statements. It is the Organization's tax position that it has not engaged in activities that would jeopardize its exempt status nor has it engaged in activities that would result in unrelated business income tax. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the tax years ended 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they were filed.

G. Donated Assets

Donated property, marketable securities, and other non-cash donations are recorded as contributions at their estimated date of donation.

H. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Investments and Investment Return

Investments are carried at fair value based on current market quotes. Investment return includes interest and dividends and is classified as an unrestricted net asset.

J. Revenue Recognition

The Organization reports contributions of cash and other assets as unrestricted support if the contributions are not received with donor stipulations that limit the use of the donated assets. Donations designed for remittance to specific organizations or agencies are excluded from contribution revenue, except for a service charge, and accounted for as agency transactions and obligations. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions, unless the donor restriction is met within the same accounting period. In this case, the contribution is recorded as an increase in unrestricted net assets.

As required under Statement of Financial Accounting Standards, FASB ASC 958-605-30-2, *Accounting for Contributions Received and Contributions Made*, all contributions are recognized as support in the Statement of Activities in the period received, including bequests and unconditional pledges receivable, at their estimated net realizable value, discounted to present value if due in more than one year. Uncollectible pledges receivable, if any, are charged as a reduction of revenue in the Statement of Activities. Bequests are recognized at the time the Organization's right to them is established by a court and to the extent the value of the proceeds is subject to reasonable estimation.

K. Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

A substantial number of unpaid volunteers have made significant contributions of time to assist the Organization's services and programs. No amounts have been included in the financial statements for these donated services since they do not meet the criteria for recognition under FASB ASC 958-605-25-2 and FASB ASC 958-605-30-2, *Accounting for Contributions Received and Contributions Made*.

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Fixed asset acquisitions in excess of \$500 are capitalized and depreciation is provided using both straight-line and accelerated methods over the estimated useful lives of the assets. The depreciation expense on assets acquired under capital leases is included with the depreciation expense on owned assets. Depreciation expense for the year ended December 31 2016 was \$15,345.

M. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses and Statement of Activities. Accordingly, certain costs have been allocated amount the programs and supported services benefitted.

N. Promises to Give (Pledges Receivable)

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of 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 discounts on those amounts are computed using risk-free interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Concentrations of Credit Risk

The Organization maintains funds at financial institutions located in Northern Nevada. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2016, the uninsured balances were zero.

The Organization is supported in part by the public. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organization operates in the Northern Nevada area. Future operations could be affected by changes in the economic or other conditions in that geographical area.

P. Advertising Expense

Advertising costs are for the solicitation of volunteers and are expensed as incurred. Total advertising expense for the year ended December 31, 2016 was \$195.

Q. Subsequent Events

Subsequent events have been evaluated through August 10, 2017, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

2. EMPLOYEE BENEFIT PLAN

The Organization has a Section 403(b) retirement plan covering all employees who are at least twenty-one years of age and have one year of service. Employer contributions are up to 3.0% of participant compensation and totaled \$3,474 for the year ended December 31, 2016.

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

3. PROPERTY AND EQUIPMENT

At December 31, 2016, property and equipment consisted of:

Equipment, furniture and fixtures	\$	162,614
Vehicles		20,249
Computer equipment		12,959
Less: accumulated depreciation		<u>(154,708)</u>
	\$	<u>41,114</u>

4. ACCRUED EXPENSES

Accrued vacation	\$	4,277
Accrued payroll		0
Accrued payroll taxes		<u>0</u>
	\$	<u>4,277</u>

5. OPERATING LEASES

The Organization leases its administrative office, program office, and equipment under both month to month and non-cancelable operating lease agreements expiring at various dates through 2020. Certain vehicles are leased by the Organization for use by the Donation Center, which is a separate non-profit organization that collects donations on behalf of the Organization. This separate non-profit organization, Friends of Big Brothers Big Sisters (FBBBS), reimburses the Organization for the costs of leasing the vehicles and a portion of the office space. Total lease expense incurred for the year ended December 31, 2016, after reimbursement by FBBBS, was \$38,649.

Future obligations over the primary terms of the Organizations' operating leases as of December 31, 2016 are as follows:

	Lease Obligation		Reimbursement		Net Lease Obligation	
2017	\$	16,574.64	\$	(14,054.64)	\$	2,520
2018		16,574.64		(14,054.64)		2,520
2019		16,574.64		(14,054.64)		2,520
2020		12,342.20		(11,712.20)		630
2021 and After		<u>-</u>		<u>-</u>		<u>-</u>
	\$	<u>62,066.12</u>	\$	<u>(53,876.12)</u>	\$	<u>8,190</u>

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

6. INVESTMENTS

The Organization's investments are comprised of certificates of deposit, mutual funds, and corporate bonds and are recorded at fair value. At December 31, 2016, the summary information is:

	<u>Cost</u>	<u>Fair Value</u>
Certificates of deposit	\$ 28,367	\$ 28,367
Mutual funds	353,528	396,027
Stocks and bonds	<u>326,215</u>	<u>365,402</u>
	\$ <u>708,110</u>	\$ <u>789,796</u>
Designated for:		
Current operations		389,796
Future operations		<u>400,000</u>
		\$ <u>789,796</u>

The following schedule summarizes investment income for the eighteen months ended December 31, 2016:

	<u>Designated for Current Operations</u>	<u>Designated for Future Operations</u>	<u>Total</u>
Interest and dividends	\$ 13,225	\$ 12,291	\$ 25,516
Gain on investment	<u>20,611</u>	<u>19,155</u>	<u>39,766</u>
	\$ <u>33,836</u>	\$ <u>31,446</u>	\$ <u>65,282</u>

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

7. FAIR VALUE MEASUREMENTS

The Fair Value Measurement topics of the FASB Codification establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under the FASB Codification topic are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access;
- Level 2: Inputs to the valuation methodology include quoted prices, which are not active quoted prices for similar assets or liabilities. In active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially, the full term of the asset or liability;
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table sets forth by level, within the hierarchy, the Organization's assets at fair value as of December 31, 2016.

	<u>Level 1</u>
Mutual funds	
Bond funds	\$ 50,358
Multi-asset funds	272,239
Equity Funds	73,430
Stocks and bonds	
Bond funds	82,005
Index funds	124,999
Equity funds	110,106
EFT funds	38,766
Preferred	9,526
	<u>\$ 761,429</u>

Big Brothers Big Sisters of Northern Nevada, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

8. BOARD DESIGNATED FUNDS

At December 31, 2016, the Board designated funds are restricted for the following purposes:

Future operations	\$ <u>400,000</u>
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9. PLEDGES RECEIVABLE

The Organization conducts an annual fundraising campaign for general operating funds entitled Big Magic Pledges. Promises to give to be received after one year are discounted based on the year promised at the five-year T-Bill rate of 1.93%.

Pledges receivable to give are summarized below:

Receivable in less than one year	\$ 46,117
Less: allowance for uncollectible pledges	<u>(4,600)</u>
Total current pledges receivable	\$ <u>41,517</u>
Receivable in one to five years	\$ 91,821
Less: discount to net present value	<u>(4,770)</u>
	87,051
Less: allowance for uncollectible pledges	<u>(9,100)</u>
Total long-term pledges receivable	\$ <u>77,951</u>

During the year ended December 31, 2016, uncollectible pledges receivable in the amount of \$5,800 were written off.