

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
AUDITED FINANCIAL STATEMENTS

June 30, 2016



**BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Big Brothers Big Sisters of Park and Sweet Grass Counties
Livingston, MT**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Park and Sweet Grass Counties (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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 Park and Sweet Grass Counties, as of June 30, 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.

Amatics CPA Group
Bozeman, Montana
January 31, 2017



BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
STATEMENT OF FINANCIAL POSITION
June 30, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	6,745
Pledges receivable		<u>880</u>

\$ 7,625

OFFICE EQUIPMENT, net of \$10,891 accumulated depreciation

1,740

Totals

\$ 9,365

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES

Accounts payable	\$	589
Payroll liabilities		2,748
Accrued vacation payable		1,933
Short term note payable		<u>10,000</u>

\$ 15,270

NET ASSETS (DEFICIT)

Unrestricted		(6,785)
Temporarily restricted		<u>880</u>

(5,905)

Totals

\$ 9,365

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
STATEMENT OF ACTIVITIES
Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grant revenue	\$ 74,812	\$ -	\$ 74,812
Contributions	35,265	-	35,265
Fundraising revenue	46,454	-	46,454
In-kind contributions	10,872	-	10,872
Satisfaction of program restrictions	135	(135)	-
Total revenue and support	167,538	(135)	167,403
EXPENSES			
Program services	133,214	-	133,214
Support services:			
Fundraising	31,846	-	31,846
Administration	24,279	-	24,279
Total expenses	189,339	-	189,339
CHANGE IN NET ASSETS	(21,801)	(135)	(21,936)
Net assets at beginning of year	15,016	1,015	16,031
NET ASSETS (DEFICIT) AT END OF YEAR	\$ (6,785)	\$ 880	\$ (5,905)

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2016

	Program Services	Support Services		Total
		Fundraising	Administration	
Fundraising expense	\$ -	\$ 18,277	\$ -	\$ 18,277
Professional development	280	35	35	350
Advertising	1,988	-	-	1,988
Bank charges and credit card fees	-	-	752	752
Criminal history check	290	-	-	290
Depreciation	870	-	-	870
Dues and subscriptions	2,102	-	462	2,564
Insurance	4,298	537	537	5,372
Office expenses	3,593	-	-	3,593
Rent	5,140	643	642	6,425
Payroll taxes	11,114	1,389	1,390	13,893
Professional fees	-	-	7,852	7,852
Repairs and maintenance	398	-	44	442
Salaries and wages	87,723	10,965	10,966	109,654
Supplies	9,602	-	523	10,125
Travel	2,314	-	-	2,314
Utilities	3,228	-	1,076	4,304
Volunteer recognition	274	-	-	274
Total expenses	<u>\$ 133,214</u>	<u>\$ 31,846</u>	<u>\$ 24,279</u>	<u>\$ 189,339</u>

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
STATEMENT OF CASH FLOWS
Year ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(21,936)	
Adjustments to reconcile change in net assets to net cash used by operating activities:			
Depreciation		870	
(Increase) decrease in current assets:			
Pledges receivable		135	
Increase (decrease) in current liabilities:			
Accounts payable		(1,206)	
Accrued payroll liabilities		<u>(6,761)</u>	
Net cash used by operating activities	\$		(28,898)

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES

Short term note payable		<u>10,000</u>	
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NET DECREASE IN CASH AND CASH EQUIVALENTS

(18,898)

Cash and cash equivalents at beginning of year		<u>25,643</u>	
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CASH AND CASH EQUIVALENTS AT END OF YEAR

\$ 6,745

See notes to financial statements.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization:

Big Brothers Big Sisters of Park and Sweet Grass Counties is a 501(c)(3) charitable organization that provides needed support to children in the local community through professionally supported one-to-one relationships. The Organization matches children aged 5 through 15 with adult and young adult volunteer mentors. Big Brothers Big Sisters of Park and Sweet Grass Counties is an agency of the national organization, Big Brothers Big Sisters of America.

The following are the major programs run by the Organization:

Community-Based Program – The Organization “matches” volunteers with children. These matches spend time enjoying activities together three times a month. The Organization serves any child in its service area who wants or needs a positive adult role model. The match relationship is supported by professional staff at Big Brothers Big Sisters of Park and Sweet Grass Counties.

Big Brothers Big Sisters in Schools – Volunteers are matched with children in a supervised setting in the local rural elementary and middle schools, typically once a week during the academic year. Teachers and counselors identify children who can benefit most from interaction with a caring adult.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. This basis of accounting recognizes revenues and related receivables when they are earned and expenses and related liabilities when incurred.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment:

Donations of property and equipment are recorded as support at their estimated fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets are to be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased property and equipment of over \$500 are capitalized and are depreciated using the straight-line method.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions:

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. The Board of Directors may designate unrestricted net assets for specific purposes or programs.
- *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 the passage of time.
- *Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Organization into perpetuity. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes. The Organization does not have any permanently restricted net assets at this time.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the same fiscal period in which the contributions are recognized. All other 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 (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed), temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

Promises to Give:

Contributions are recorded and revenue is recognized at the time unconditional promises to give are made. Big Brothers Big Sisters of Park and Sweet Grass Counties uses an allowance method to determine uncollectible unconditional promises receivable. Based on prior years' experience and management's analysis of specific promises made, no allowance was recorded at June 30, 2016, as management believes all recorded pledges receivable will be collected.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

Big Brothers Big Sisters of Park and Sweet Grass Counties is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). The Organization's information returns (Form 990) are open to examination by the IRS, generally, for three years after they were filed or the due date of the return, whichever is later.

Advertising:

Advertising costs are expensed as incurred.

2. CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, Big Brothers Big Sisters of Park and Sweet Grass Counties considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. At year end, the Organization held checking and savings accounts. Account balances held in financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. As of June 30, 2016, cash and cash equivalents did not exceed federally insured limits.

3. PLEDGES RECEIVABLE

Pledges receivable are recorded and revenue is recognized at the time promises to give are made. These balances as of June 30, 2016 are stated at their present value. Management estimates that all remaining pledge balances are collectible.

4. OPERATING LEASES

In December 2013, the Organization entered into a five-year lease agreement to rent office space. The lease stipulates monthly rent of \$500, plus a prorated share of property taxes and assessments. Future minimum lease payments under this operating lease are as follows for subsequent fiscal years:

2017	\$	6,000
2018		6,000
2019		<u>2,500</u>
		<u>\$ 14,500</u>

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

5. IN-KIND DONATIONS

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received (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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind donations are offset by corresponding amounts reflected in expenses.

Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

The following in-kind donations were recognized as expenses for the year ended June 30, 2016:

Fundraising expense	\$ 6,700
Program supplies	<u>4,172</u>
	<u>\$ 10,872</u>

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets is comprised of the following as of June 30, 2016:

Pledges receivable	<u>\$ 880</u>
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7. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities of the Organization have been presented on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

8. SHORT TERM NOTE PAYABLE

The short term note payable is an unsecured, interest-free short term note payable to Kelly Wade, a related party.

BIG BROTHERS BIG SISTERS OF PARK AND SWEET GRASS COUNTIES
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

9. SUBSEQUENT EVENTS

Big Brothers Big Sisters of Park and Sweet Grass Counties is a small Organization with a big reputation and a complex history. Management has analyzed the Organization's ability to continue operations and has generated the following response.

In an effort to cut costs, one full time supervisory position was turned into a part time coordinator position, with the Executive Director supervising all staff members. This staff restructuring saves the Organization about 10% of operating expenses over the course of one year. The decision was also made to cut the Class Act Program, which was staff intensive and couldn't serve many children due to scheduling issues. This program cut also made the staff repositioning a possibility, moving from a full time to part time role.

Beyond cutting costs, the Organization is also working to increase revenue over time. Our Big Party this year brought in 62% more money than the previous year. The Organization is planning to have a summer event and is seeking out new foundations for support. The Board of Directors, along with the Executive Director, are working to build a new strategic plan that addresses the need for a reserve. Two particular grant opportunities are at the state and federal level would bring in more than 50% of the budget for a three-year period; this would allow for other donations to build a healthy reserve and create a sustainable plan for moving forward.

Date of Management Evaluation

Management has evaluated subsequent events through January 31, 2017, the date on which the financial statements were available to be issued.