Taylor & Morgan | CPAs and Business Advisors

Big Brothers Big Sisters of Flint and Genesee County

Audited Financial Statements

June 30, 2018

Prepared by Taylor & Morgan, P.C.

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Big Brothers Big Sisters of Flint and Genesee County

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INDEPENDENT AUDITOR'S REPORT

November 12, 2018

Board of Directors
Big Brothers Big Sisters of Flint and Genesee County

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Flint and Genesee County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 of 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 Flint and Genesee County as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Flint and Genesee County's June 30, 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on pages 11-12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants

Big Brothers Big Sisters of Flint and Genesee County
Statements of Financial Position
June 30, 2018
With Summarized information for June 30, 2017

ASSETS		2018		2017
Cash and equivalents	$	390,983	$	506,632
Investment in Principal Financial Financial Group		9,888		11,917
Long-term investments		451,088		391,592
Grants receivable		5,966		9,955
Promises to give		-		20,000
Other receivables		7,867		17,366
Prepaid expenses		12,991		17,104
Property and equipment net of depreciation		8,858		12,748
Total assets	$	887,641	$	987,314

LIABILITIES				
Accounts payable	$	2,136	$	5,701
Accrued payroll and related liabilities		7,028		8,063
Total liabilities		9,164		13,764
NET ASSETS				
Unrestricted -				
Designated for long-term investment		457,602		429,201
Undesignated		403,375		497,027
Temporarily restricted		17,500		47,322
Total net assets		878,477		973,550
Total liabilities and net assets	$	887,641	$	987,314

See notes to the financial statements.

Big Brothers Big Sisters of Flint and Genesee County
Statements of Activities
For the Year Ended June 30, 2018
With Summarized Information for the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
Revenues, gains and other support				
Grant income				
Ruth Mott Foundation	$ -	$ 70,000	$ 70,000	$ 69,500
BBBS of America	-	-	-	37,335
State of Michigan-My Brother's Keeper	-	14,907	14,907	36,672
Community Foundation-My Sister's Keeper	-	15,000	15,000	-
CDBG	-	35,000	35,000	60,000
Flint Recast	-	30,000	30,000	-
United Way-BEST Project	-	7,000	7,000	-
United way	77,400	-	77,400	77,377
Contributions and sponsorships	78,349	4,000	82,349	418,673
Fundraising activities:				
Bowling challenge	169,428	-	169,428	150,256
Agency Golf	62,196		62,196	63,982
Other	67,132	-	67,132	49,778
Miscellaneous income	9,043	-	9,043	1,129
Interest and dividends	7,384	-	7,384	9,207
Gains (losses) on assets	(650)	-	(650)	-
Gains (losses) on investments	35,817	-	35,817	17,667
Total revenues, gains and other support	506,099	175,907	682,006	991,576
Net assets released from restrictions	205,729	(205,729)	-	-
Expenses				
Program services	544,533	-	544,533	587,183
Support services				
Fundraising	145,468	-	145,468	127,217
Management and general	87,078	-	87,078	84,686
Total expenses	777,079	-	777,079	799,086
Increase/(Decrease) in net assets	(65,251)	(29,822)	(95,073)	192,490
Net assets (deficit) - beginning of year	926,228	47,322	973,550	781,060
Net assets (deficit) - end of year	$ 860,977	$ 17,500	$ 878,477	$ 973,550

Big Brothers Big Sisters of Flint and Genesee County
Statements of Cash Flows
For the Year Ended June 30, 2018
With Summarized Information for the Year Ended June 30, 2017

		2018		2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Increase/(decrease) in net assets	$	(95,073)	$	192,490
Adjustments to reconcile increase in net assets to net cash provided by operating activities:				
Depreciation		3,243		5,831
(Gains)/losses on investments		(35,817)		(17,667)
(Gains)/losses on asset disposal		650		-
(Increase)/decrease in:				
Due from grantors/contributors		33,488		92,412
Pre-paid expenses		4,113		(5,785)
Increase/(decrease) in:				
Accounts payable		(3,565)		1,527
Accrued payroll		(1,035)		(2,959)
Deferred revenue		-		(9,167)
Net cash provided by/(used) by operating activities		(93,996)		256,682
CASH FLOWS FROM INVESTING ACTIVITIES				
Sales of investments		55,369		479,156
Purchase of investments		(77,022)		(500,252)
Net cash provided by/(used) by investing activities		(21,653)		(21,096)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from bank line of credit		-		-
Payments on bank line of credit		-		-
Net cash provided by financing activities		-		-
Net increase/(decrease) in cash		(115,649)		235,586
Beginning cash		506,632		271,046
Ending cash	$	390,983	$	506,632
SUPPLEMENTAL DISCLOSURES				
Interest paid	$	-	$	-

See notes to financial statements.

Big Brothers Big Sisters of Flint and Genesee County
Notes to Financial Statements
June 30, 2018

Note 1 - Description of Operations and Summary of Significant Accounting Policies

Description of Operations:

Big Brothers Big Sisters of Flint and Genesee County ("the Agency") is a Michigan nonprofit organization providing services for children and their families by adult volunteers, primarily on a one-to-one basis, under the supervision of professional staff. The children accepted into the program are those whose needs exceed the support and nurturing available from their families, schools, churches or neighborhood organizations.

Method of Accounting:

The financial statements of the Agency have been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded when incurred.

Tax Exempt Status:

The Agency is recognized by the Internal Revenue Services as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is exempt from income taxation.

Financial Statement Presentation:

The Agency prepares its financial statements in accordance with FASB Accounting Standards Codification (ASC) 958-205 and subsections. Under ASC 958-205, 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. In addition, the Organization is required to present a statement of cash flows.

Support from Grantors and Contributors:

Support from grantors and contributors is recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support from grantors is required to be reported as temporarily restricted and is then reclassified to unrestricted net assets upon expiration of the restrictions.

Cash and Cash Equivalents:

Cash and equivalents are short term investments that are readily convertible to cash or have a maturity date of 90 days or less from the date of purchase. Cash equivalents designated for long-term investment have been segregated from cash and are listed as investments on the statement of financial position.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Big Brothers Big Sisters of Flint and Genesee County
Notes to Financial Statements
June 30, 2018

Note 2 - Cash and Investments

The Agency holds deposit accounts at two separate local financial institutions. At June 30, 2018, the carrying amount of deposits was $384,469 and the bank balance was $381,310. Of the bank balance, $250,195 was covered by Federal depository insurance and $131,115 was uninsured and uncollateralized.

Investments consist of an "agency trust" administered by Merrill Lynch and a stock investment in Principal Financial Group, Inc. Trust assets are invested in money market funds (cash equivalents), U.S. Treasury and corporate notes of varying maturities and interest rates (fixed income obligations), and various corporate stocks (equities). Investments are reported at fair value on the Statement of Financial Position.

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 gains and losses are included in the change in net assets. The values of these investments at June 30, 2018 and 2017 are as follows:

	2018 Cost	2018 Fair Value	2017 Cost	2017 Fair Value
Cash Equivalents	$ 6,514	$ 6,514	$ 25,692	$ 25,692
Equities/Mutual Funds	394,439	451,088	361,331	391,592
Total	$ 400,953	$ 457,602	$ 387,023	$ 417,284

The following schedule reflects an activity summary of the "agency trust" investment account for the years ended June 30, 2018 and 2017:

	2018	2017
Beginning Balance	$417,284	$400,538
Dividends and Interest	7,385	8,184
Account Fees	(4,911)	(4,835)
Realized Gains/(Losses)	11,459	7,831
Unrealized Gains/(Losses)	26,385	5,566
Ending Balance	$457,602	$417,284

Note 3 – Summary of Fair Value Exposure

The FASB *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and required additional disclosure about the fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Agency has adopted this standard for its financial assets and liabilities measures on a recurring basis (ASC 820-10).

Fair Value measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. and exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities. The Agency had $394,439 and $361,331 invested in Level 1 investments for the years ended June 30, 2018 and 2017, respectively.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.) The Agency did not have any Level 2 investments.

Level 3: Significant unobservable inputs (including the Agency's own assumptions in determining the fair value of investment), The Agency did not have any Level 3 investments.

The inputs and methodology used for valuing the Agency's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following methods and assumptions were used to estimate the fair values of the assets and liabilities in the table above:

Level 1: The fair value of the Agency's investments in marketable equity and debt securities is based on quoted market prices.

Note 4 - Building and Equipment, and Depreciation

A summary of building and equipment at June 30, 2018 and 2017 is as follows:

	2018	2017
Leasehold Improvements	$ 2,724	$ 2,724
Furniture and fixtures	56,733	56,733
Condominium-timeshare	9,000	9,000
Equipment & software	37,780	74,602
Subtotal	106,237	143,059
Less: Accumulated depreciation	(97,379)	(130,311)
Total	$ 8,858	$ 12,748

Equipment and leasehold improvements are stated at cost if purchased and fair market value if contributed. Assets with a cost exceeding $500 are generally capitalized. Depreciation is calculated using the straight-line method over the respective useful lives. Depreciation expense for the years ended June 30, 2018 and 2017 amounted to $3,243 and $5,831, respectively.

Note 5 – Temporarily Restricted Net Assets

As of June 30, 2018 and 2017, temporarily restricted net assets were available for the following purposes:

	2018	2017
Ruth Mott-Unified Sisters	$ -	$ 23,718
Ruth Mott-School Mentoring	17,500	
My Sisters Keeper	-	3,604
Bishop Grant	-	20,000
	$ 17,500	$ 47,322

Note 6 – Fundraising Income

Revenue and direct expenses for fundraising activities for the year ended June 30, 2018 are as follows:

	Bowl-a-Mania	Bowling Challenge	Golf Outing	Ice Races	73rd Anniversary	Other
Revenue	$ 5,645	$ 169,428	$ 62,196	$ 18,993	$ 26,352	$ 16,142
Expenses	(2,453)	(30,849)	(22,291)	(38)	(11,839)	(6,805)
	$ 3,192	$ 138,579	$ 39,905	$ 18,955	$ 14,513	$ 9,337

Note 7 - Retirement Plan

The Agency maintains a defined contribution pension plan for its employees. Employees become eligible after they have completed two years of full time service to the Agency. Employer contributions are at the discretion of the Agency. For the years ended June 30, 2018 and 2017, the Agency contributed $6,746 and $6,311, repectively.

Note 8 – Operating Lease

The Agency leases office space located at 410 E. Second St., Flint. For the years ended June 30, 2018 and 2017, the lease called for monthly payments of $3,434 and $3,030, respectively. Total lease expense under this agreement for the years ended June 30, 2018 and 2017 were $41,354 and $36,381, respectively.

In May of 2018, the Agency agreed to an extension on its current lease until June 30, 2020. This extension calls for monthly payments ranging from $3,850 to $4,100 with an option to terminate after one year with 120-days advance notice. Future minimum lease obligations are $46,200 for the year ended June 30, 2019 and $32,800 for the year ended June 30, 2020.

Note 9 – Line of Credit

The Agency has a line of credit available to fund cash flow needs in the amount of $100,000 with a local financial institution. This line of credit bears interest at the rate of Prime plus 1.0%. For the years ended June 30, 2018 and 2017, there was no balance on the line of credit.

Note 10 – Endowment Fund

The Agency is beneficiary of two endowment funds held by the Community Foundation of Greater Flint. For the years ended June 30, 2018 and June 30, 2017, the Agency received $8,413 and $8,846, respectively from these funds.

Note 11 – Subsequent Events

Subsequent events have been reviewed through November 12, 2018, which is the date the financial statements were available to be issued.

Big Brothers Big Sisters of Flint and Genesee County
Supplemental Information
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Support Services			
	Providing Mentors to Children	Fundraising	Management and General	Total Support Services	Total Expenses
Salaries and wages	$ 317,817	$ 65,474	$ 48,384	$ 113,858	$ 431,675
Fringe benefits and taxes	51,991	5,604	4,317	9,921	61,912
Total salaries and related expenses	369,808	71,078	52,701	123,779	493,587
Contractual services	3,334	-	5,669	5,669	9,003
Advertising	1,155	10,015	-	10,015	11,170
Occupancy	41,354	16,625	-	16,625	57,979
Leased equipment	4,949	-	-	-	4,949
Supplies	7,927	39,852	-	39,852	47,779
Postage	2,860	495	-	495	3,355
Printing	1,741	3,339	-	3,339	5,080
Dues and fees	-	100	18,442	18,542	18,542
Telephone and internet	9,600	-	-	-	9,600
Travel and mileage	4,420	115	-	115	4,535
Legal checks	2,905	-	-	-	2,905
Professional services	-	-	10,266	10,266	10,266
Maintenance and repairs	1,162	-	-	-	1,162
Insurance	26,574	-	-	-	26,574
Miscellaneous		3,398	-	3,398	3,398
Activities	24,761	-	-	-	24,761
Board training and staff development	12,329	-	-	-	12,329
Meetings and conferences	4,485	451	-	451	4,936
Unified Sisters	21,926	-	-	-	21,926
Depreciation	3,243	-	-	-	3,243
Total Expenses	$ 544,533	$ 145,468	$ 87,078	$ 232,546	$ 777,079

Big Brothers Big Sisters of Flint and Genesee County
Supplemental Information
Statement of Functional Expenses
For the Year Ended June 30, 2017

	Program Services	Support Services			
	Providing Mentors to Children	Fundraising	Management and General	Total Support Services	Total Expenses
Salaries and wages	$ 320,418	$ 58,532	$ 41,544	$ 100,076	$ 420,494
Fringe benefits and taxes	68,266	5,000	3,178	8,178	76,444
Total salaries and related expenses	388,684	63,532	44,722	108,254	496,938
Contractual services	19,081	600	-	600	19,681
Advertising	1,575	8,835	-	8,835	10,410
Occupancy	33,725	20,833	-	20,833	54,558
Leased equipment	4,167	-	-	-	4,167
Supplies	13,826	22,263	-	22,263	36,089
Postage	2,500	450	-	450	2,950
Printing	1,876	4,131	-	4,131	6,007
Dues and fees	-	70	23,970	24,040	24,040
Telephone and internet	9,645	617	-	617	10,262
Travel and mileage	12,508	173	-	173	12,681
Legal checks	2,849	-	-	-	2,849
Professional services	-	100	12,021	12,121	12,121
Maintenance and repairs	1,373	-	-	-	1,373
Insurance	29,298	-	3,973	3,973	33,271
Miscellaneous	-	1,150	-	1,150	1,150
Activities	38,091	2,700	-	2,700	40,791
Board training and staff development	-	174	-	174	174
Meetings and conferences	4,945	1,589	-	1,589	6,534
Unified Sisters	17,209	-	-	-	17,209
Depreciation	5,831	-	-	-	5,831
Total Expenses	$ 587,183	$ 127,217	$ 84,686	$ 211,903	$ 799,086

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

November 12, 2018

Board of Directors
Big Brothers Big Sisters of Flint and Genesee County
Flint, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Brothers Big Sisters of Flint and Genesee County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related noted to the financial statements, and have issued our report thereon dated November 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Brothers Big Sisters of Flint and Genesee County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Big Brothers Big Sisters of Flint and Genesee County's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters of Flint and Genesee County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Big Brothers Big Sisters of Flint and Genesee County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organizations' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants