

**BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2016**

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

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Jeanine J. Mays

— Certified Public Accountant —

INDEPENDENT AUDITOR'S REPORT

To: The Board of Directors of
Big Brothers Big Sisters of El Dorado County

Report on the Financial Statements

I have audited the accompanying financial statements of the Big Brothers Big Sisters of El Dorado County (a non-profit organization) , which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, 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 statement that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Big Brothers Big Sisters of El Dorado County 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.

Jeanine J. Mays
July 21, 2017

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Financial Position

For the Year Ended December 31, 2016

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 16,502	
Accounts receivable	59,657	
Prepaid expenses	<u>2,045</u>	
TOTAL CURRENT ASSETS		\$ 78,204

PROPERTY, At Cost

Equipment	16,726	
Furniture and fixtures	<u>650</u>	
	17,376	
Accumulated depreciation	<u>(13,789)</u>	3,587

OTHER ASSETS

Rent deposit		<u>1,000</u>
TOTAL ASSETS		<u>\$ 82,791</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 709	
Payroll liabilities	487	
Employee benefits payable	8,144	
Note payable	<u>377</u>	
TOTAL CURRENT LIABILITIES		\$ 9,717
TOTAL LIABILITIES		9,717

NET ASSETS

Unrestricted net assets	<u>73,074</u>	
TOTAL NET ASSETS		<u>73,074</u>
TOTAL LIABILITIES AND NET ASSETS		<u>\$ 82,791</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Activity and Changes in Net Assets

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Public Support			
Direct public support	\$ 165,331	\$ -	\$ 165,331
In-kind donations	-	-	-
Grants	35,000	-	35,000
Fund raising (net of expenses of \$52,117)	130,747	-	130,747
Release of restrictions	1,942	(1,942)	-
TOTAL PUBLIC SUPPORT	333,020	(1,942)	331,078
Revenue			
Service income	150,205	-	150,205
Interest income	2	-	2
Miscellaneous income	150	-	150
TOTAL REVENUE	150,357	-	150,357
TOTAL PUBLIC SUPPORT AND REVENUE	483,377	(1,942)	481,435
EXPENSES			
Program services	403,272	-	403,272
Supporting services	30,956	-	30,956
Fund raising	71,745	-	71,745
TOTAL EXPENSES	505,973	-	505,973
CHANGE IN NET ASSETS	(22,596)	(1,942)	(24,538)
NET ASSETS			
Beginning of year	95,670	1,942	97,612
End of year	\$ 73,074	\$ -	\$ 73,074

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Functional Expenses

For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 246,891	\$ 24,795	\$ 55,006	\$ 326,692
Payroll taxes	20,274	1,897	4,167	26,338
Employee benefits	35,964	1,020	5,274	42,258
TOTAL SALARIES AND BENEFITS	303,129	27,712	64,447	395,288
Advertising and promotion	11,112	226	4,999	16,337
Bank service charge	160			160
National dues and subscriptions	3,347	148		3,495
Insurance	6,620			6,620
Interest expense	140			140
License and filing fees	414		20	434
Mentor appreciation	3,892	56		3,948
Office	3			3
Outside services	39			39
Postage	751		96	847
Printing and reproduction	2,882			2,882
Professional fees-accounting	9,136	220	75	9,431
Program expense	5,535	302	787	6,624
Rent	21,819	2,292		24,111
Rent-equipment	255			255
Repairs and maintenance	-			-
Scholarships expense	1,920			1,920
Small equipment	15			15
Taxes-property	108			108
Technology	9,270			9,270
Telephone	2,128			2,128
Training and education	4,573		45	4,618
Travel	8,403		1,276	9,679
Utilities	5,566			5,566
TOTAL EXPENSE BEFORE DEPRECIATION	401,217	30,956	71,745	503,918
Depreciation	2,055			2,055
TOTAL EXPENSES	\$ 403,272	\$ 30,956	\$ 71,745	\$ 505,973

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess expenses over revenue	\$ (24,538)
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	2,055
Change in accounts receivable	(36,261)
Change in prepaid expenses	(2,045)
Change in payroll liabilities	(671)
Change in employee benefits payable	2,807
Change in sales tax payable	(760)
Change in accounts payable	1,697
	<u> </u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(57,716)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payment on loan	<u>(1,412)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>(1,412)</u>
NET CHANGE IN CASH	(59,128)
CASH AT BEGINNING OF YEAR, January 1, 2016	<u>75,630</u>
CASH AT END OF YEAR, December 31, 2016	<u>\$ 16,502</u>
SUPPLEMENTAL INFORMATION	
Interest paid	<u>\$ 140</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2016

1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information: Big Brothers Big Sisters of El Dorado County is a non-profit organization serving El Dorado County associated with the Big Brothers and Big Sisters of America Organization. The purpose is to organize mature and interested adults to create an interaction with youth and to become a positive influence in the development of the youth's life.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets : Net assets that are not subject to donor-imposed stipulations. Voluntary resolutions of the Board of Directors making self imposed limits are also considered unrestricted.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulation that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as unrestricted.

Permanently Restricted Net Assets: Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Conservancy to use all or part of the income earned on any related investment for general or specific purposes.

Use of Estimates: The preparation of financial statements uses estimates rather than exact measures. The estimates commonly involve summarizations, judgments and allocations which are based on rules and conventions rather than exact amounts.

Functional Allocation of Expenses: The costs of providing the Organization's programs have been summarized on a functional basis in these financial statements. Based on estimates developed by management, costs have been allocated to the various programs as they relate to those programs and activities. Many of management and general costs are directly related to program activities and are allocated to programs, administrative and fundraising accordingly.

Property and Equipment: The organization follows the practice of capitalizing all expenditures over \$500 for land, building, and equipment; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight line basis over the estimated useful lives of the assets.

Income Taxes: The Big Brothers Big Sisters of El Dorado County was incorporated in California on September 14, 1977. The Organization is a non-profit pursuant to a determination letter from the Internal Revenue Service in 1979 and is exempt from Federal income tax under the provisions of Code Section 501(c)(3) relating to organizations operated exclusively for charitable purposes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2016

1.) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Income tax continued: The Organization's returns are subject to examination by taxing authorities for three years for Federal and four years for State after they are filed and management believes that all of the positions would be sustained if examined.

Contributions and Accounts Receivable: Accounts receivable are considered to be fully collectable. There is no allowance for doubtful accounts recorded on these financial statements. All are considered short term.

Cash Equivalents: For the purposes of the statement of cash flows, the Organization considers cash and unrestricted highly liquid investments with initial maturities of three months or less to be cash equivalents. Cash received with donor imposed restrictions that are expected to be fulfilled within the next year are also considered cash equivalents.

Deferred Revenue: Deferred revenue represents amounts collected for grants which will apply to the following fiscal year. These amounts are recognized as revenues in the fiscal year in which the fees or grants relate to. There is no deferred revenue at year end.

Advertising Costs: Advertising costs are expensed when incurred.

Fair Value Measurement: The Organization is required to measure certain statement elements at fair value in accordance with generally accepted accounting principles. Those include cash equivalents, investments, receivables, accounts payable, accrued expense and notes payable. Management believes that the carrying values of those elements are not materially different from estimates of the corresponding fair values.

2.) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following:

	<u>Amount</u>	<u>Interest</u>
Wells Fargo Checking	\$ 12,425	0.00%
Wells Fargo Savings	<u>4,037</u>	0.03%
CASH AND CASH EQUIVALENTS	<u>\$ 16,462</u>	

3.) FIXED ASSETS AND DEPRECIATION

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Office equipment	\$ 16,726	\$ -	\$ -	\$ 16,726
Furniture and fixtures	<u>650</u>	<u>-</u>	<u>-</u>	<u>650</u>
TOTAL FIXED ASSETS	<u>\$ 17,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,376</u>
Accumulated depreciation	<u>\$ 11,734</u>	<u>\$ 2,055</u>	<u>\$ -</u>	<u>\$ 13,789</u>

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2016

4.) ACCRUED EMPLOYEE BENEFITS

Vacation benefits up to two yearly accruals are paid to the employee when they are separated from service. Accumulated unpaid employee vacation benefits are recognized as a liability.

Sick leave pay does not vest and is not accrued. Therefore, sick leave benefits are recorded as expenditures in the period that sick leave is taken.

5.) DONATIONS

Donated Materials: Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated values at the date of receipt. All contributions are considered to be unrestricted unless specifically restricted by the donor. Donated materials for special events are booked as special event income and expense on the financial statements.

Donated Services: No amounts have been reflected in the statements for volunteer services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and in its fund-raising campaigns.

6.) LEASE EXPENSE

The Organization signed a 60 month lease agreement at a new location on April 2017 and ending in April 2022. This agreement is for five years with rents increasing each year.

The Organization leased a copier for \$148 per month for 60 months beginning April 2014 and may purchase the copier at the end of the lease March 2019 for the fair market value.

The future payments over the next five years are as follows:

	<u>Facilities</u>	<u>Copier</u>	Memo <u>Total</u>
2017	\$ 28,644	\$ 1,776	\$ 30,420
2018	32,238	1,776	34,014
2019	41,538	444	41,982
2020	49,494	-	49,494
2021	57,576	-	57,576
Balance	<u>30,756</u>	<u>-</u>	<u>30,756</u>
TOTAL	<u>\$240,246</u>	<u>\$ 3,996</u>	<u>\$ 244,242</u>

Rent expense for the year ended December 31, 2016 was \$23,040 and the equipment lease expense was \$1,776.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2016

7.) EQUIPMENT LOAN

The Organization purchased equipment with loans over three years years secured on the equipment. The amortization is included in depreciation expense. The scheduled principal payments over the next five years are as follows:

Year Ending <u>June 30</u>	Telephone <u>System</u>
2017	<u>\$ 377</u>
	<u><u>\$ 377</u></u>

The current year principal payments on notes payable totals \$1,411.

8.) REVENUE CONCENTRATION

The Organization operates in El Dorado County, California. The support and revenues received are from donations, fund raising and grants generally from within the state of California.

9.) CONTINGENT LIABILITY

The Organization has received funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under the terms of the grants, it is believed that any required reimbursements would not be material.

10.) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consists of:

	<u>Beginning</u>	<u>Change</u>	<u>Ending</u>
Scholarship Fund	<u>\$ 1,942</u>	<u>\$ (1,942)</u>	<u>\$ -</u>
TOTAL	<u><u>\$ 1,942</u></u>	<u><u>\$ (1,942)</u></u>	<u><u>\$ -</u></u>

11.) SUBSEQUENT EVENTS

The management of the Organization have reviewed the results of operations for the period of time from its year end December 31, 2016 through July 21, 2017, the date the financial statements were available to be issued, and have determined that no adjustments are necessary to the amount reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.