

**BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, 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, 2018, 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
August 7, 2019

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Financial Position

For the Year Ended December 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 34,630	
Accounts receivable	38,408	
Prepaid expenses	6,294	
Prepaid rent	8,143	

TOTAL CURRENT ASSETS **\$ 87,475**

PROPERTY, At Cost

Equipment	16,726	
Furniture and fixtures	650	

Accumulated depreciation 407

	17,376	
	<u>(16,969)</u>	

OTHER ASSETS

Long term deposits 5,320

TOTAL ASSETS **\$ 93,202**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 7,628	
Employee benefits payable	18,733	
Sales tax payable	1,882	
Copier lease payable	3,136	

TOTAL CURRENT LIABILITIES **\$ 31,379**

TOTAL LIABILITIES **31,379**

NET ASSETS

Without donor restrictions 61,823

TOTAL NET ASSETS **61,823**

TOTAL LIABILITIES AND NET ASSETS **\$ 93,202**

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, 2018

	<u>Total</u>
PUBLIC SUPPORT AND REVENUE	
Public Support	
Direct public support	\$ 210,354
Grants	35,000
Fund raising (net of expenses of \$71,416)	114,535
SUBTOTAL	<u>359,889</u>
Re-visions thrift shop support	82,449
Thrift shop direct costs	65,604
THRIFT STORE	<u>16,845</u>
TOTAL PUBLIC SUPPORT	<u>376,734</u>
Revenue	
Service income	187,917
Interest income	6
Miscellaneous income	9
TOTAL REVENUE	<u>187,932</u>
TOTAL PUBLIC SUPPORT AND REVENUE	<u>564,666</u>
EXPENSES	
Program services	472,311
Supporting services	71,417
Fund raising	56,877
TOTAL EXPENSES	<u>600,605</u>
CHANGE IN NET ASSETS	(35,939)
NET ASSETS	
Beginning of year	97,762
End of year	<u>\$ 61,823</u>

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Functional Expenses

For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries	\$ 232,718	\$ 50,307	\$ 48,927	\$ 331,952
Payroll taxes	20,435	4,017	3,800	28,252
Employee benefits	38,585	7,536	2,026	48,147
TOTAL SALARIES AND BENEFITS	291,738	61,860	54,753	408,351
Advertising and promotion	10,601	241	495	11,337
Bank service charge	359	228		587
National dues and subscriptions	8,124	373	199	8,696
Insurance	7,219			7,219
License and filing fees	312	32	20	364
Mentor appreciation	2,730	1,284		4,014
Outside services	17,295			17,295
Postage	929	15	158	1,102
Printing and reproduction	3,158	623		3,781
Professional fees-accounting	8,479			8,479
Program expense	51,257	1,213	311	52,781
Rent	33,298	3,836		37,134
Repairs and maintenance	2,339	909		3,248
Supplies	105			105
Taxes-property	5	34		39
Technology	6,388	11		6,399
Telephone	2,654			2,654
Training and education	8,219	676	54	8,949
Travel	5,021	82	887	5,990
Utilities	10,586			10,586
TOTAL EXPENSE BEFORE DEPRECIATION	470,816	71,417	56,877	599,110
Depreciation	1,495			1,495
TOTAL EXPENSES	\$ 472,311	\$ 71,417	\$ 56,877	\$ 600,605

See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Statement of Cash Flows

For the Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Excess revenue over expenses	\$ (35,939)
Adjustment to reconcile net income to net cash provided by operating activities	
Depreciation	1,495
Change in accounts receivable	4,875
Change in prepaid expenses	(4,154)
Change in employee benefits payable	10,589
Change in sales tax payable	1,282
Change in accounts payable	2,936
Change in deferred revenue	(5,800)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,716)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Prepaid copier	3,920
Amortization of prepaid copier	<u>(784)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>3,136</u>
NET CHANGE IN CASH	(21,580)
CASH AT BEGINNING OF YEAR, January 1, 2018	<u>56,210</u>
CASH AT END OF YEAR, December 31, 2018	<u><u>\$ 34,630</u></u>

SUPPLEMENTAL INFORMATION

Interest paid	<u><u>\$ -</u></u>
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See accompanying notes.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2018

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:

Net Assets without Donor Restrictions: Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net asset are the broad limists resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-

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. The organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

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 allocated to programs, administrative and fundraising accordingly.

Property and Equipment: The organization follows the practice of capitalizing all expenditures over \$2,500 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, 2018

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.

Accounts Receivable: Accounts receivable are considered to be fully collectable. There is no allowance for doubtful accounts recorded on these financial statements. Contracts for services are billed monthly based on actual time spent. 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.

Advertising Costs: Advertising costs are expensed when incurred.

Fair Value Measurement: The Organization is required to measure its financial statement elements at Fair Value. Valuations techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs-	quoted prices in active markets for identical assets
Level 2 inputs-	quoted prices in active or inactive markets for the same or similar assets.
Level 3 inputs-	estimates using best information available when there is little or not market.

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	\$ 21,340	0.00%
Wells Fargo Savings	1,000	0.03%
ReVisions checking	12,066	0.00%
Petty cash	224	
CASH AND CASH EQUIVALENTS	<u>\$ 34,630</u>	

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2018

3.) LIQUIDITY AND AVAILABILITY

The following reflects the organization's financial assets as the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2018</u>
Financial assets at year-end	\$ 69,781
Less those unavailable for general expenditures within one year due to:	
no restrictions at year end	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 69,781</u>

As a part of the organization's liquidity management, it holds cash in liquid checking and savings accounts.

4.) FIXED ASSETS AND DEPRECIATION

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Office equipment	\$ 16,726	\$ -	\$ -	\$ 16,726
Furniture and fixtures	650	-	-	650
TOTAL FIXED ASSETS	<u>\$ 17,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,376</u>
Accumulated depreciation	<u>\$ 15,474</u>	<u>\$ 1,495</u>	<u>\$ -</u>	<u>\$ 16,969</u>

5.) 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.

6.) 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 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.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2018

7.) LEASE EXPENSE

The Organization signed a 60 month lease agreement at a new location on April 2017 and ending April 1, 2022. This agreement is for five years with rents increasing each year.

The Organization entered into a lease for the location of the new retail operation called ReVisions. This is a two year lease ending November 30, 2019

The Organization leased a copier for \$231 per month for 63 months beginning Aug 1, 2018. The leasing company provided a cash incentive which is amortized over 30 months.

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

	<u>Facilities</u>	<u>Copier</u>	<u>ReVisions Lease</u>	<u>Memo Total</u>
2019	\$ 43,443	\$ 2,772	\$ 35,970	\$ 82,185
2020	51,567	2,772	-	54,339
2021	59,544	2,772	-	62,316
2022	15,378	2,772	-	18,150
2023	-	2,541	-	2,541
Balance	-	-	-	-
TOTAL	<u>\$169,932</u>	<u>\$ 13,629</u>	<u>\$ 35,970</u>	<u>\$219,531</u>

Rent expense for the year ended December 31, 2018 was \$37,134 and the equipment lease expense was \$1,834. The retail operation rent totaled to \$36,270.

8.) REVENUE CONCENTRATION

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

9.) THRIFT STORE REVENUE

Household goods are donated by the community to the organization for sale in it's thrift store. It is impractical to value the donations at the time of receipt. These in-kind goods are sold through the thrift store during the year and have been recognized as revenue at the point of sale. This revenue is not subject to the unrelated business income tax as substantially all of the merchandise is received as a gift or contribution.

10.) 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.

BIG BROTHERS BIG SISTERS OF EL DORADO COUNTY

Notes to Financial Statements

December 31, 2018

10.) CONTINGENT LIABILITY-CONTINUED

The organization has a business line of credit for \$16,200. At year end the credit was unused.

11.) CHANGE IN ACCOUNTING PRINCIPLES

The organization implemented FASB ASU No. 2016-14 in the current year , applying the changes retrospectively. The new standards changed the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources.

The changes have the following effect on net assets at January 1, 2018:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 97,762	
Temporarily restricted net assets	-	
Permanently restricted net assets	-	
Net assets without donor restrictions		\$ 97,762
Net assets with donor restrictions		-
<u>Total Net Assets</u>	<u>\$ 97,762</u>	<u>\$ 97,762</u>

The FASB issue ASU No. 2016-02 on Leases. An entity will be required to recognize assets and liabilities for the right and obligations created by leases on the statement of position for both finance and operating leases. The effective date is for fiscal years beginning after December 15, 2019 using a modified retrospective transition. The organization is currently evaluating the impact of the new guidance on the financial statements with implementation planned for 2020.

12.) SUBSEQUENT EVENTS

The management of the Organization have reviewed the results of operations for the period of time from its year end December 31, 2018 through August 7, 2019, 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.