BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

For the year ended
December 31, 2016
(with comparative financial information for the
year ended December 31, 2015)

BIG BROTHERS BIG SISTERS SERVICES, INC.

Contents

Frank Barcalow CPA, P.L.L.C.

Independent Auditor's Report

Big Brothers Big Sisters Services, Inc.
The Board of Directors
Richmond, Virginia

We have audited the accompanying financial statements of Big Brothers Big Sisters Services, 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 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 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 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 Services, 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 Big Brothers Big Sisters Services, Inc. financial statements, and our report dated March 14, 2016, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia

March 15, 2017

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Financial Position

December 31, 2016
(with comparative totals for the year ended December 31, 2015)

Assets		**2016**		**2015**
Current assets				
Cash and cash equivalents	$	121,790	$	93,301
Contributions receivable, net		54,822		115,032
Grants receivable		140,000		66,667
United Way allocations and contributor choice		45,500		44,521
Other assets		2,029		13,528
Total current assets		364,141		333,049
Non current assets				
Investments		154,708		147,675
Contributions receivable, net		-		19,289
Deposits		5,250		5,250
Property, equipment and improvements, net of accumulated depreciation of $35,740 for 2016 and $41,833 for 2015, respectively		14,586		9,812
Total noncurrent assets		174,544		182,026
Total assets	$	538,685	$	515,075
Liabilities and Net assets				
Liabilities				
Accounts payable	$	18,509	$	6,111
Accrued expenses		44,764		40,551
Unearned income		1,941		-
Total liabilities		65,214		46,662
Net assets				
Unrestricted				
Unrestricted		167,369		136,142
Unrestricted, property and equipment		14,586		9,812
Total unrestricted net assets		181,955		145,954
Temporarily restricted net assets		291,516		322,459
Total net assets		473,471		468,413
Total liabilities and net assets	$	538,685	$	515,075

See notes to the financial statements.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Activities

Year Ended December 31, 2016
(with smmarized financial information for the year ended December 31, 2015)

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
Public support and revenue				
Contributions	$ 148,044	$ -	$ 148,044	$ 175,185
United Way allocations and designations	-	116,585	116,585	121,272
Grants	-	505,825	505,825	366,942
Special events	184,697	-	184,697	185,027
Investment income	3,738	-	3,738	4,767
Realized gains (losses)	-	-	-	4,693
Unrealized gains (losses)	5,229	-	5,229	(9,339)
Other income	4,365	-	4,365	5,021
Total public support and revenue	346,073	622,410	968,483	853,568
Net assets released from restrictions	653,353	(653,353)	-	-
Total public support and revenue	999,426	(30,943)	968,483	853,568
Expenditures				
Program services	795,195	-	795,195	675,189
Total program services	795,195	-	795,195	675,189
Supporting services				
Development	84,636	-	84,636	104,494
General and administrative	83,594	-	83,594	66,001
Total supporting services	168,230	-	168,230	170,495
Total expenditures	963,425	-	963,425	845,684
Change in net assets	36,001	(30,943)	5,058	7,884
Net assets at beginning of year	59,878	376,792	436,670	436,670
Correction of errors	-	-	-	23,859
Net assets, beginning of the year, adjusted	145,954	322,459	468,413	460,529
Net assets, end of the year	$ 181,955	$ 291,516	$ 473,471	$ 468,413

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Functional Expenses
Year ended December 31, 2016
(with summarized totals for the year ended December 31, 2015)

	Program Services	Development	Management and General	Total Supporting Services	2016 Total Expenses	2015 Total Expenses
Salaries	$ 380,741	$ 45,142	$ 46,213	$ 91,355	$ 472,096	$ 422,273
Employee benefits	69,224	-	14,228	14,228	83,452	72,731
Payroll taxes, etc.	35,626	4,718	4,197	8,915	44,541	35,223
Total salaries and related expenses	485,591	49,860	64,638	114,498	600,089	530,227
Professional fees and contract services	26,843	9,000	14,008	23,008	49,851	47,406
Special events	37,940	15,339	-	15,339	53,279	50,367
Office Supplies	2,072	-	1,053	1,053	3,125	4,639
Telephone	8,640	-	256	256	8,896	8,829
Postage	3,447	-	-	-	3,447	3,320
Occupancy	67,642	-	-	-	67,642	64,672
Printing and public relations	9,428	10,070	-	10,070	19,498	24,669
Advertising and marketing	-	-	-	-	-	338
Travel and meals	14,094	5	-	5	14,099	12,643
Conferences	6,963	-	-	-	6,963	425
National Dues	9,366	-	-	-	9,366	9,988
Equipment rental and maintenance	17,521	300	687	987	18,508	15,715
Insurance	14,946	-	498	498	15,444	13,146
Depreciation	5,154	-	-	-	5,154	5,961
Bad debts	64,213	-	-	-	64,213	34,526
Miscellaneous	21,335	62	2,454	2,516	23,851	18,813
Total expenses	$ 795,195	$ 84,636	$ 83,594	$ 168,230	$ 963,425	$ 845,684

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Cash Flows

Year Ended December 31, 2016
(with comparative totals for the year ended December 31, 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ 5,058	$ 7,884
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	5,154	5,961
Inkind income	(1,179)	-
Bad debt expenses	64,213	34,526
Unrealized (gains) losses on investments	(5,229)	9,338
Realized (gains) losses on investments	-	(4,693)
(Increase) decrease in contributions receivable	15,337	(37,274)
(Increase) decrease in grants receivable	(73,333)	8,333
(Increase) decrease in United Way allocation	(979)	5,211
(Increase) decrease in other assets	11,499	(13,940)
Increase (decrease) in accounts payable and accrued liabilities	16,611	(10,849)
Increase (decrease) in unearned income	1,941	-
Net cash provided by (used in) operating activities	39,093	4,497
Cash flows from investing activities		
Purchase of equipment	(8,748)	(3,018)
Proceeds from sale of investments	-	11,806
Purchase of investments	(1,856)	(14,715)
Net cash provided by (used in) investing activities	(10,604)	(5,927)
Net increase (decrease) in cash and cash equivalents	28,489	(1,430)
Cash and cash equivalents at beginning of year	93,301	94,731
Cash and cash equivalents at end of year	$ 121,790	$ 93,301

Notes to Financial Statements

December 31, 2016

Note 1 - Organization and summary of significant accounting policies

Nature of the Organization

Big Brothers Big Sisters Services, Inc. (the Organization) is an independent not-for-profit non-stock corporation, established for the purpose of organizing in Central Virginia a group of mature and responsible persons to voluntarily assist, counsel, and guide boys and girls who lack an adequate adult figure in their lives. A significant portion of the Organization's revenues is derived from contributions received from United Way Services.

Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 958-225-45-1 "Financial Statements of Not-For-Profit Organizations." Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. 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 or any restrictions.

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 passage of time. Included in this category may be gifts held by the Organization pending the use in accorda nce with donor stipulations, and unexpended gifts for capital projects.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. At the present time, the Organization does not have any permanently restricted net assets.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual events and circumstances could alter those estimates.

Cash and cash equivalents

For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase.

Advertising

Advertising costs are expensed when incurred.

Investments

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 and realized gains and losses are included in the change in net assets.

Notes to Financial Statements

December 31, 2016

Note 1 - Summary of significant accounting policies (concluded)

Property and depreciation

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment at cost, and all donated property and equipment at fair market value at date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets of five years. Generally, the costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. The cost and accumulated depreciation on property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in income.

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in 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 Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received.

Allowance for Doubtful Accounts

The allowance for uncollectible contributions was $18,398 at December 31, 2016 and 2015, respectively.

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items in accordance with FASB Accounting Standards Codification 958, *Not for Profit Entities*. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time and perform a variety of tasks. Total contributed equipment was $1,179 at December 31, 2016.

Functional expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the notes to the financial statements. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

Notes to Financial Statements

December 31, 2016

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2016. Fiscal years ending on or after December 31, 2013 remain subject to examination by federal and state tax authorities.

Note 2 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Richmond, Virginia, which are insured at the federally insured limits of $250,000. The Organization has not experienced any losses in such accounts. The Organization's unsecured receivables are due from pledges from individuals, other non-profit organizations, and corporations; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 3 - Investments

Investments are stated at their readily determinable fair value and are summarized as follows as of December 31, 2016 and 2015:

	Fair Market Value	Cost
Cash and money market funds	$ 4 620	$ 4 620
Equity funds	59 772	52 008
Fixed income funds	90 316	93 844
	$ 154 708	$ 150 472

	Fair Market Value	Cost
Cash and money market funds	$ 4 850	$ 4 850
Equity funds	54 268	37 155
Fixed income funds	88 557	93 850
	$ 147 675	$ 135 855

Notes to Financial Statements

December 31, 2016

Note 4 – Commitments

Big Brothers Big Sisters Services, Inc. leases administrative office space in Richmond, Virginia and Norfolk, Virginia under non cancelable operating leases which expire August 31, 2019 and January 31, 2020, respectively. The Organization also leases office equipment expiring from December 2017 to October 2018. The following schedule by years of future minimum rental payments under these leases at December 31, 2016:

2017	$	75 646
2018		73 457
2019		53 187
2020		880
	$	203 170

Total rent expense for the current year totaled $72,489.

Note 5 - National Dues

The Organization is required to make support payments to Big Brothers Big Sisters of America (National) based on adjusted expenditures as defined by National. During the year ended December 31, 2016 the required payments amounted to $9,366. National provides various program services in return for these payments.

Note 6 – Contributions receivable

Unconditional promises to give as of December 31, 2016 and 2015 are as follows:

Receivable in less than one year	$	73 220	$	117 908
Receivable in one to five years		-		39 888
		73 220		157 796
Less allowance		18 398		18 398
Less discounts to net present value		-		5 077
Net pledges receivable	$	54 822	$	134 321

Notes to Financial Statements

December 31, 2016

Note 7- Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of December 31, 2016 and 2015:

Pledges receivable	$	54 822	$	128 383
United Way allocation and contributor choise		45 500		44 521
Mentoring		171 194		129 655
Software		20 000		20 000
Net pledges receivable	$	291 516	$	322 459

Net assets released from restrictions of $592,727, are related to purpose restrictions being met. Net assets released from restrictions of $60,596 are related to time restrictions, for a total of $653,353 for the year ended December 31, 2016. Temporarily restricted net assets include pledges and grants receivable, United Way allocation receivable, cash and cash equivalents, and investments.

Note 8 - Retirement plans

The Organization participates in a defined multiple employer benefit plan, which extends to the participating affiliated agencies with United Way of Greater Richmond & Petersburg as administrator, which has been frozen since 2008. Each year the administrator sets a rate of contribution for covered salaries for all affiliated agencies.

The economic recession depreciated pension plan assets while at the same time the pension liability continued to grow. The United Way of Greater Richmond & Petersburg plans to close the pension plan within the next five years. Any unfunded liability amounts will be assessed to the remaining participating agencies. The underfunded amount will be recalculated each year as interest rates change. The Organization's related retirement expense for December 31, 2016 was $32,762.

The Organization also has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participates in a voluntary payroll deduction. The Organization did not contribute to the plan for the year ended December 31, 2016.

Note 9 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 15, 2017, the date the financial statements were issued.

Notes to Financial Statements

December 31, 2016

Note 10 - Correction of errors

The Organization had not recorded correctly the receivable due from United Way Services of Greater Richmond & Peterburg as of December 31, 2014. Temporarily restricted net assets were understated by $31,537 as of January 1, 2015. Also, the Organization had accrued liabilities for accrued vacation incorrectly, overstating unrestricted net assets by $7,678 as of January 1, 2015. Total beginning net assets were corrected by $23,859 as of January 1, 2015.

Note 11 - Fair value measurements

The Organization adopted FASB ASC 850, formerly, SFAS No. 157 “Fair Value Measurements” to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy, based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.