

Big Brothers Big Sisters of Utah and Big Brothers Big Sisters of Greater Salt Lake Foundation

COMBINED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the Years Ended December 31, 2016 and 2015



BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

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Independent Auditor's Report

To the Board of Directors

BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

We have audited the accompanying combined financial statements of **Big Brothers Big Sisters of Utah and Big Brothers Big Sisters of Greater Salt Lake Foundation** (the "Organization"), which comprise the combined statements of financial position as of December 31, 2016 and 2015, and the related combined statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined 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 combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2016 and 2015, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Larson & Company PC

Salt Lake City, Utah
June 26, 2017

Larson & Company
9065 South 1300 East, Salt Lake City, Utah 84094
Main: (801) 313-1900 | Fax: (801) 313-1912
www.larsco.com

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**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Combined Statements of Financial Position
For the Years Ended December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents	\$ 798,209	\$ 425,891
Receivables		
Grants and contracts	175,373	202,541
Other	5,598	4,270
Receivables, related party		
Grants and contracts	83,687	8,283
Other	29,000	-
Promises to give	25,000	25,000
Prepaid expenses	615	1,722
Total current assets	<u>1,117,482</u>	<u>667,707</u>
Promises to give, long-term	-	25,000
Investments	166,190	162,987
Property and equipment, net	1,679	2,524
	<u>167,869</u>	<u>190,511</u>
Total assets	<u>\$ 1,285,351</u>	<u>\$ 858,218</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 36,484	\$ 3,129
Accrued liabilities	21,765	56,671
Total current liabilities	<u>58,249</u>	<u>59,800</u>
Net assets		
Unrestricted		
Board designated	342,305	166,078
Undesignated	583,607	300,294
Temporarily restricted	211,733	242,589
Permanently restricted	89,457	89,457
Total net assets	<u>1,227,102</u>	<u>798,418</u>
Total liabilities and net assets	<u>\$ 1,285,351</u>	<u>\$ 858,218</u>

The accompanying notes to financial statements are an integral part of these statements.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Combined Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUES				
Support, revenue and loss				
Friends of BBBS	\$ 491,000	\$ -	\$ -	\$ 491,000
United Way	100,360	115,000	-	215,360
Foundation grants	186,000	-	-	186,000
Corporate donations	144,913	-	-	144,913
Government grants	365,504	-	-	365,504
Contract revenue	88,028	-	-	88,028
Contributions	122,229	-	-	122,229
In-kind donations	36,316	-	-	36,316
Special events (net of \$45,401 direct expenses)	241,011	-	-	241,011
Interest and dividends	-	7,461	-	7,461
Unrealized gain on investments	-	9,032	-	9,032
Total support, revenue and loss	1,775,361	131,493	-	1,906,854
Satisfaction of restrictions	162,349	(162,349)	-	-
Total support, revenue, loss and satisfaction of restrictions	1,937,710	(30,856)	-	1,906,854
EXPENSES				
Mentoring programs	1,078,565	-	-	1,078,565
General and administrative	117,668	-	-	117,668
Development and fundraising	281,938	-	-	281,938
Total expenses	1,478,170	-	-	1,478,170
Change in net assets	459,540	(30,856)	-	428,684
Net assets at beginning of year	466,372	242,589	89,457	798,418
Net assets at end of year	\$ 925,912	\$ 211,733	\$ 89,457	\$ 1,227,102

The accompanying notes to financial statements are an integral part of these statements.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Combined Statement of Activities
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
SUPPORT AND REVENUES				
Support, revenue and loss				
Friends of BBBS	\$ 438,700	\$ -	\$ -	\$ 438,700
United Way	97,865	95,000	-	192,865
Foundation grants	152,850	-	-	152,850
Corporate donations	224,937	-	-	224,937
Government grants	205,921	-	-	205,921
Contract revenue	61,621	-	-	61,621
Contributions	134,621	-	-	134,621
In-kind donations	12,313	-	-	12,313
Special events (net of \$51,411 direct expenses)	195,189	-	-	195,189
Interest and dividends	-	8,866	-	8,866
Unrealized loss on investments	-	(19,572)	-	(19,572)
Total support, revenue and loss	<u>1,524,017</u>	<u>84,294</u>	<u>-</u>	<u>1,608,311</u>
Satisfaction of restrictions	<u>136,100</u>	<u>(136,100)</u>	<u>-</u>	<u>-</u>
Total support, revenue, loss and satisfaction of restrictions	<u>1,660,117</u>	<u>(51,806)</u>	<u>-</u>	<u>1,608,311</u>
EXPENSES				
Mentoring programs	1,100,560	-	-	FALSE
General and administrative	115,329	-	-	115,329
Development and fundraising	171,942	-	-	171,942
Total expenses	<u>1,387,831</u>	<u>-</u>	<u>-</u>	<u>287,271</u>
Change in net assets	<u>272,286</u>	<u>(51,806)</u>	<u>-</u>	<u>220,480</u>
Net assets at beginning of year	<u>194,086</u>	<u>294,395</u>	<u>89,457</u>	<u>577,938</u>
Net assets at end of year	<u>\$ 466,372</u>	<u>\$ 242,589</u>	<u>\$ 89,457</u>	<u>\$ 798,418</u>

The accompanying notes to financial statements are an integral part of these statements.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Combined Statement of Functional Expenses
For the Year Ended December 31, 2016

Functional Expenses	Mentoring Programs	General and Administrative	Development/ Fundraising	Total
Salaries and wages	\$ 678,441	\$ 58,810	\$ 198,384	\$ 935,634
Payroll taxes	59,952	3,843	13,066	76,861
Employee benefits	87,602	5,615	19,093	112,310
Total salaries and related expenses	825,994	68,269	230,542	1,124,805
Rent	50,964	4,236	13,458	68,658
Program and affiliation fees	46,841	-	-	46,841
Event expenses	-	-	45,401	45,401
Travel and professional development	30,144	6,350	3,821	40,315
General and professional liability insurance	20,276	11,504	1,115	32,895
Information technology	33,528	1,920	2,951	38,400
Supplies	42,020	4,790	2,531	49,341
Printing, publications and postage	2,891	2,625	880	6,396
In-kind development supplies	-	-	20,818	20,818
In-kind program supplies	15,498	-	-	15,498
Professional fees	9,861	15,921	-	25,782
Interest and bank fees	548	1,208	5,822	7,577
Depreciation	-	845	-	845
Total functional expenses	1,078,565	117,668	327,339	1,523,572
Less expenses included with revenue	-	-	(45,401)	(45,401)
Functional expenses statement of activities	\$ 1,078,565	\$ 117,668	\$ 281,938	\$ 1,478,170

The accompanying notes to financial statements are an integral part of these statements.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**
Combined Statements of Functional Expenses
For the Year Ended December 31, 2015

Functional Expenses	Mentoring Programs	General and Administrative	Development/ Fundraising	Total
Salaries and wages	\$ 697,455	\$ 61,861	\$ 103,543	\$ 862,859
Payroll taxes	60,519	5,324	8,979	74,822
Employee benefits	70,310	6,184	10,431	86,925
Total salaries and related expenses	828,284	73,369	122,953	1,024,606
Rent	56,704	4,598	15,325	76,627
Program and affiliation fees	63,567	-	-	63,567
Event expenses	-	-	51,411	51,411
Travel and professional development	25,543	5,676	4,257	35,476
General and professional liability insurance	19,189	10,833	929	30,951
Information technology	47,258	1,668	6,672	55,598
Supplies	39,902	4,408	2,633	46,943
Printing, publications and postage	5,144	4,686	1,600	11,430
In-kind development supplies	-	-	9,161	9,161
In-kind program supplies	3,152	-	-	3,152
Professional fees	6,651	8,752	2,100	17,503
Interest and bank fees	514	1,175	5,655	7,344
Program events	3,363	119	475	3,957
Depreciation	1,289	45	182	1,516
Total functional expenses	1,100,560	115,329	223,353	1,439,242
Less expenses included with revenue	-	-	(51,411)	(51,411)
Functional expenses statement of activities	\$ 1,100,560	\$ 115,329	\$ 171,942	\$ 1,387,831

The accompanying notes to financial statements are an integral part of these statements.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Combined Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 428,684	\$ 220,480
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	845	1,516
Unrealized (gain) loss on investments	(9,032)	19,572
Change in operating assets and liabilities		
Receivables	25,840	(20,405)
Receivables, related party	(104,404)	(4,835)
Promises to give	25,000	25,000
Prepaid expenses	1,107	15,194
Accounts payable	33,355	(8,628)
Accrued liabilities	(34,906)	(2,874)
Net cash from operating activities	<u>366,489</u>	<u>245,020</u>
Cash flows from investing activities		
Proceeds from sale of investments	53,269	11,786
Purchase of investments	(47,440)	(8,100)
Net cash from investing activities	<u>5,829</u>	<u>3,686</u>
Net change in cash and cash equivalents	372,318	248,706
Cash and cash equivalents at beginning of year	<u>425,891</u>	<u>177,185</u>
Cash and cash equivalents at end of year	<u>\$ 798,209</u>	<u>\$ 425,891</u>

Supplemental Disclosures

No interest or taxes were paid for the year ended December 31, 2016 and 2015.

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

1. ORGANIZATION HISTORY

Big Brothers Big Sisters of Utah, (“BBBSU”) is a not-for-profit corporation organized under the laws of the State of Utah in February 1978. BBBSU matches adult volunteers with children who need and want a mentor. These volunteers provide the children with friendship, guidance, and a positive role model that can prevent many negative behaviors. BBBSU currently operates one-to-one mentoring through the following programs: Community-based, school-based, Mentor2.0 and Beyond School Walls, which utilize many community partners including United Way of Salt Lake, various municipalities and 7 school districts, and 17 schools statewide. The main office is located in South Salt Lake and serves Salt Lake, Weber, Davis, Cache and Utah Counties; a satellite office in Park City serves Summit and Wasatch County and a satellite office in St. George serves Washington County.

Big Brothers Big Sisters of Greater Salt Lake Foundation (the “Foundation”) is a separate not-for-profit corporation and a 501(c)(3) foundation operated for the exclusive benefit of Big Brothers Big Sisters of Utah. The Foundation files a separate Informational Return Form 990 with the IRS annually. These assets are governed by the investment policies of Big Brothers Big Sisters of Utah.

The combined audited financial statements of Big Brothers Big Sisters of Utah and Big Brothers Big Sisters of Greater Salt Lake Foundation include the assets, liabilities and operating results of both entities and are referred to as the “Organization” in these footnotes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization prepares its financial statements on the accrual basis of accounting and follows U.S. generally accepted accounting principles for nonprofit organizations and reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted based upon the following criteria:

- **Unrestricted net assets** represent expendable funds available for operations which are not otherwise limited by donor restrictions. Unrestricted net assets include board designated amounts.
- **Temporarily restricted net assets** consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. Accumulated endowment earnings are included in temporarily restricted net assets until specifically appropriated for expenditure by the board at which time they are released to unrestricted net assets.
- **Permanently restricted net assets** are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 revenues and expenses during the reporting period.

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are recorded at their estimated fair value less an appropriate allowance for uncollectible amounts. Allowances are based on historical experience and management's analysis of specific balances. An account is written off when it is determined that all collection efforts have been exhausted. An allowance for doubtful accounts has been established for amounts management believes may not be fully collectible. All accounts and grants receivable are considered fully collectible; accordingly, no allowance is included as of December 31, 2016 and 2015.

Promises to give

Contributions representing unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows.

Based on historical experience, the Organization expects all unconditional promises to give to be collected; therefore, no allowance for uncollectible amounts is considered necessary.

Investments

Investments in marketable securities with readily determinable fair values and investments in debt securities are recorded at their fair values. Unrealized gains and losses and interest and dividends associated with the investment balances are included in the statement of activities.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs and maintenance that materially prolong the useful lives of property and equipment are capitalized. If donors stipulate how long a contributed asset must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Property and equipment are stated at cost less accumulated depreciation and amortization, or if acquired by donation, at estimated fair value at the date of the donation. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in the statement of activities for the period.

Depreciation is computed over the following estimated useful lives using the straight-line method:

<u>Assets</u>	<u>Useful Lives</u>
Furniture and equipment	5 - 7 years

Contributions and in-kind donations

Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of donor restrictions. All unconditional unrestricted contributions are considered to be available for unrestricted use in the accounting period when the donor makes an unconditional promise to give to the Organization. Contributions that are restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as restricted and shows funds released from restriction when the restricted purpose is met.

Donations of property, equipment, supplies and other goods and services are recorded as support at their estimated fair market value on the date of gift. These donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets, goods and services donated with explicit restrictions regarding their use are reported as temporarily restricted support and reclassified to unrestricted net assets when placed in service.

The Organization recognizes contributions of services only if the services received (a) create or enhance nonfinancial 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. Many individuals have donated significant amounts of time in providing organizational governance and resource development for the Organization. No amounts have been reflected in the statements for this donated time as it does not meet the criteria for recognition in the financial statements.

BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

The costs of programs and supporting services have been summarized on a functional basis in the statement of activities. All direct costs are charged to the applicable functional area. Indirect costs are charged to programs and supporting services based on estimates made by management, taking into account the nature of the expense and how it relates to the functional area. General and administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising costs

Advertising costs are charged to operations when incurred. Advertising expense was **\$198** and \$125 for the years ended December 31, 2016 and 2015, respectively.

Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. BBBSU has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

The balance of promises to give consisted of promises from one donor which totaled 100% of the balance as of December 31, 2016 and 2015.

Recently issued accounting pronouncements

In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (“ASU No. 2014-09”), an update to FASB ASC 606, Revenue from Contracts with Customers. This update revises previous revenue recognition standards to improve guidance on revenue recognition requirements. Under the new standard, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard will be effective for the Organization beginning January 1, 2019. The adoption of this standard is not expected to have a material impact on the financial statements of the Organization.

BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS OF GREATER SALT LAKE FOUNDATION

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently issued accounting pronouncements

In March of 2016, the FASB issued Accounting Standards Update 2016-02, Leases, which requires all leases that have a term of more than 12 months will be required to be recognized as assets and liabilities on the balance sheet at inception. A lessee would recognize a lease liability to make lease payments owed to a lessor (liability) and a benefit for the right to use the leased asset (asset) for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee would depend on whether the lessee is expected to consume more than an insignificant portion of the economic benefits embedded in the underlying asset. This new guidance is effective for fiscal years beginning after December 15, 2019. The Company does not anticipate a significant impact on the Organization's results of operations, financial position, or cash flows as a result of this new standard.

In August of 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities (the "Standard"). The Standard establishes the new financial reporting framework for not-for-profit organizations. The update will result in changes to the presentation of the statements of financial position, activities, and cash flows.

The new guidance reduces the classification of net assets to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions. It also changes the classification and accounting for underwater endowments. The Standard requires enhanced net asset disclosures which include information about the timing, nature of restrictions, and composition of the net assets with donor restrictions. Enhanced disclosures are also required for board designated net assets, which are classified as net assets without donor restrictions.

To improve the transparency and utility of liquidity information provided in not-for-profit financial statements, the Standard requires disclosure of quantitative and qualitative liquidity information, including how an entity manages liquidity risk and disclosures about availability of assets to meet cash needs within one year of the balance sheet date.

Changes to the statement of activities includes a requirement to report the total change in net assets and the changes in each of the two new classes of nets assets described above. All nonprofits will be required to present an analysis of expenses by function and by natural classification. This can be done on the face of the statement of activities, in a separate statement, or in the footnotes to the financial statements.

The statement of cash flows may continue to be presented using the direct or indirect method. If the direct method is adopted, the organization is no longer required to include the indirect method reconciliation.

The Standard is effective for the fiscal years beginning after December 15, 2017. Early adoption is permitted and encouraged. Management is evaluating the impact of the Standard on the organization's financial reporting and determining the appropriate time to implement this pronouncement.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax status

BBBSU and the related Foundation qualify as tax-exempt organizations under Section 501 (C) (3) of the Internal Revenue Code, and accordingly, no provision has been made for federal or state income tax provisions, assets or liabilities.

The FASB has provided guidance for how uncertain tax positions should be recognized, measured, and disclosed in the financial statements. Management has evaluated the Organization's tax positions and determined that there are no material uncertain tax positions. Tax years that remain subject to examination are for tax years 2014 and forward.

Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Contract revenue totaling \$61,621 from the prior year was reclassified from government grants to contract revenue in order to better reflect the nature of this revenue. The allocations in the 2015 statement of functional expenses have been updated to conform to the 2016 allocations. These reclassifications did not have any effect on the change in net assets.

3. INVESTMENTS AND FAIR VALUE

Investments in marketable securities with readily determinable fair values and investments in debt securities are recorded at their fair values. Unrealized gains and losses are included in the statement of activities.

Investment return is available for use of the Organization and is classified as temporarily restricted net assets until specifically appropriated for expenditure by the Board of Directors. Investment management fees totaled **\$1,602** and \$1,756 for the years ended December 31, 2016 and 2015. Components of investment return consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 7,461	\$ 8,866
Net realized and unrealized gain (loss)	9,032	(19,572)
Investment return	\$ 16,493	\$ (10,706)

Fair value

The fair values of the financial instruments held as investments and shown in the following tables as of December 31, 2016 and 2015 represent the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset at the measurement date, the fair value measurement reflects the organization's judgments about the assumptions that market participants would use in pricing the asset. Those judgments are based on the best information available including expected cash flows.

**BIG BROTHERS BIG SISTERS OF UTAH AND BIG BROTHERS BIG SISTERS
OF GREATER SALT LAKE FOUNDATION**

Notes to the Combined Financial Statements
For the Years Ended December 31, 2016 and 2015

3. INVESTMENTS AND FAIR VALUE (Continued)

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 inputs are prices for a similar asset, other than quoted market prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 inputs are unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement dates.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgement, taking into account factors specific to the asset or liability. The categorization of assets within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

Assets measured at fair value on a recurring basis as of December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 166,190	\$ 166,190	\$ -	\$ -
	<u>\$ 166,190</u>	<u>\$ 166,190</u>	<u>\$ -</u>	<u>\$ -</u>

Assets measured at fair value on a recurring basis as of December 31, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Mutual funds	\$ 162,987	\$ 162,987	\$ -	\$ -
	<u>\$ 162,987</u>	<u>\$ 162,987</u>	<u>\$ -</u>	<u>\$ -</u>

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4. PROMISES TO GIVE

Promises to give are as follows at December 31:

	<u>2016</u>	<u>2015</u>
Amounts due:		
1 year or less	\$ 25,000	\$ 25,000
1-5 years	-	25,000
Thereafter	-	-
Total promises to give	\$ 25,000	\$ 50,000

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 37,602	\$ 37,602
Accumulated depreciation	(35,923)	(35,078)
Net property and equipment	\$ 1,679	\$ 2,524

Depreciation expense charged to operations for the years ended December 31, 2016 and 2015 was **\$845** and \$1,516, respectively.

6. LINE OF CREDIT

The Organization maintains a \$40,000 business line of credit at 5.75%. The balance of the line of credit as of December 31, 2016 and 2015 was **\$0**.

7. UNRESTRICTED BOARD DESIGNATED NET ASSETS

The Board of Directors has designated net assets for a cash reserve fund of one-quarter to one-third of the Organization's annual operating expenses that must be maintained in a cash or money market account. As of December 31, 2016 and 2015, the amount was **\$342,305** and \$166,078, respectively.

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8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
United Way of Salt Lake:		
Grant year from July - June	\$ 95,000	\$ 101,000
United Way Dixie:		
Grant through 2018	15,000	6,000
George S. and Delores Doré Eccles Foundation:		
Mentor 2.0 program	25,000	50,000
Accumulated endowment earnings	<u>76,733</u>	<u>85,589</u>
Total temporarily restricted net assets	<u>\$ 211,733</u>	<u>\$ 242,589</u>

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of an endowment trust that was established in 1991. The original fair value of the trust assets at the date of the donors' contributions total \$89,457. The interest and dividends and increase or decrease in fair value net of investment expenses are available for the use of the Organization and included as temporarily restricted net assets until appropriated for expenditure by the Board of Directors. As of December 31, 2016 and 2015 unappropriated investment returns totaling **\$76,733** and \$85,589, respectively, were held in the temporarily restricted net asset class.

10. ENDOWMENT

Big Brothers and Big Sisters of Greater Salt Lake Foundation (the Foundation) holds the endowment funds and was established to support the mission of the Organization. The corpus of the Foundation consists of donor-restricted funds.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the Foundation, and
- The original value of subsequent gifts to the Foundation.

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10. ENDOWMENT (Continued)

Net investment returns on the endowment are classified as temporarily restricted net assets until the amounts are appropriated for expenditure by the Board of Directors. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate foundation funds:

- The duration and preservation of the fund and general economic conditions
- The expected total return from income and the appreciation of investments
- Financial health and investment policies of the Organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for Foundation assets that attempt to protect the corpus of the Foundation to assist with the financial stability of the Organization. The endowment assets are invested in a manner that is intended to produce returns that are 2% to 3% higher than the rate of inflation, while assuming a moderate level of investment risk.

Spending Policy

The Organization has a policy in which the general rule of appropriating for distribution each year is interest and/or dividends accumulated in one year on the permanently restricted and temporarily restricted corpus of the Foundation funds. In establishing this policy, the Organization considered the long-term expected returns on its investments. Accordingly, over the long-term, the Organization expects the current spending policy will allow the Foundation to retain and grow the original fair value of the gift.

Strategies Employed for Achieving Objectives

The Organization relies on a total return strategy in which investment returns are achieved through capital appreciation and current yield (interest and dividends). The Organization targets a diversified asset allocation that emphasizes common stocks and fixed income securities to achieve its long-term objectives within prudent risk constraints.

The endowment fund balance and activity is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment
Balance at January 1, 2015	\$ 96,295	\$ 89,457	\$ 185,752
Interest and dividends	8,866	-	8,866
Unrealized loss	(19,572)	-	(19,572)
Balance at December 31, 2015	\$ 85,589	\$ 89,457	\$ 175,046
Interest and dividends	7,461	-	7,461
Unrealized gain	9,032	-	9,032
Asset management fees	(1,966)	-	(1,966)
Amounts appropriated for expenditure	(23,383)	-	(23,383)
Balance at December 31, 2016	\$ 76,733	\$ 89,457	\$ 166,190

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11. OPERATING LEASES

The Organization leases office space in Salt Lake City and Park City under leasing agreements. The Salt Lake City office space lease was negotiated in April 2015 and runs through March 2019. The Park City office space lease was negotiated in August 2015 and runs from January 2016 through December 2018. The St. George office space lease was negotiated in December 2016 and runs from January 2017 through December 2021. For the years ending December 31, 2016 and 2015, the total rent expense was **\$68,658** and \$76,627, respectively. The future minimum lease payments are as follows:

Years Ending December 31,

2017	\$	63,056
2018		63,056
2019		22,856
2020		12,056
2021		12,056
Thereafter		-
Total	\$	173,078

12. CONCENTRATIONS OF CREDIT AND MARKET RISK

The Organization maintains its cash and cash equivalent balances with banks located in Salt Lake City, Utah. The deposits may exceed their federally insured limits of \$250,000 as established by the Federal Deposit Insurance Corporation.

Balances of cash and securities held by the Organization in brokerage accounts are insured by the Security Investors Protection Corporation up to \$500,000. The Organization has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on these balances.

As of December 31, 2016, two entities accounted for 26% and 10% of the Organization's total revenue. One donor accounted for 100% of the Organization's promises to give balance.

As of December 31, 2015, two entities accounted for 27% and 12% of the Organization's total revenue. One donor accounted for 100% of the Organization's promises to give balance.

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13. RELATED PARTY TRANSACTIONS

Big Brothers Big Sisters of Utah derives a portion of its revenues from Friends of Big Brothers Big Sisters of Utah ("Friends"). The Board of Directors for Friends is comprised of seven members, two of whom are members from the Board of Directors of the Organization.

During the years ended December 31, 2016 and 2015, the Organization received revenues of **\$491,000** and \$438,700, respectively from Friends. The Organization also received **\$145,936** and \$110,857, respectively, in other expense reimbursements from Friends, and paid **\$20,548** and \$21,694, respectively, to Friends for other expense reimbursements for the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, the Organization had an accounts receivable balance from Friends in the amount of **\$29,000** and \$4,485, respectively. Also, as of December 31, 2016 and 2015, the Organization had an accounts payable balance to Friends in the amount of **\$0** and \$3,129, respectively.

For the years ended December 31, 2016 and 2015, the Organization paid **\$17,250** and \$17,840, respectively, to Big Brothers Big Sisters of America for affiliation fees and for the use of proprietary case management software. As of December 31, 2016 and 2015 the Organization had accounts receivable from this entity totaling **\$83,687** and \$8,283, respectively.

A member of the Board of Directors serves as the broker for the Organization's dental, health, and life insurance policies. No fees are paid directly to the board member by the Organization, but the board member received a total of **\$1,730** and \$1,656 in commissions relating to the policies sold to the Organization during the years ended December 31, 2016 and 2015, respectively.

14. RETIREMENT PLAN

The Organization has a 401K defined contribution plan which employees may participate in once they meet the eligibility requirements. After one year of employment the Organization may make a board discretionary match of 50% of the employee contributions up to a maximum contribution up to 3% of total compensation. Contributions to the plan were **\$11,686** and \$8,849 for the years ended December 31, 2016 and 2015, respectively.

15. SUBSEQUENT EVENTS

Management has evaluated events and accounts of the Organization from December 31, 2016 through the date the financial statements were available to be issued, to determine if there are any subsequent events that provide additional information about conditions that existed at the financial position date.

In March 2017, a lawsuit was filed against the Organization by a former participant of the mentoring program. Potential losses related to this lawsuit are not currently estimable.