

Friends of Big Brothers Big Sisters of Utah

Year Ended December 31, 2013

Financial Statements

And

Independent Accountant's Review Report



Friends of Big Brothers Big Sisters of Utah

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Friends of Big Brothers Big Sisters of Utah
Salt Lake City, UT

We have reviewed the accompanying statement of financial position of Friends of Big Brothers Big Sisters of Utah (a nonprofit organization) as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying December 31, 2013 financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

The financial statements for the year ended December 31, 2012, were audited by us, and we expressed an unqualified opinion on them in our report dated May 15, 2013, but we have not performed any auditing procedures since that date.

Shaw & Co PC

Bountiful, Utah
August 8, 2014

Friends of Big Brothers Big Sisters of Utah, Inc.

Statement of Financial Position

December 31, 2013

With Comparative Totals For December 31, 2012

	<u>12/31/2013</u>	<u>12/31/2012</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 95,162	\$ 37,969
Accounts receivable	53,572	40,206
Inventory	-	2,888
Prepaid expenses	<u>7,404</u>	<u>13,164</u>
Total current assets	<u>156,138</u>	<u>94,227</u>
Fixed assets, at cost		
Furniture and equipment	149,466	149,313
Vehicles	<u>14,900</u>	<u>14,900</u>
Total fixed assets	164,366	164,213
Less: accumulated depreciation	<u>(129,096)</u>	<u>(108,986)</u>
Net fixed assets	<u>35,270</u>	<u>55,227</u>
Total assets	<u>\$ 191,408</u>	<u>\$ 149,454</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 24,849	\$ 35,060
Accrued liabilities	<u>22,271</u>	<u>20,467</u>
Total current liabilities	<u>47,120</u>	<u>55,527</u>
Net assets		
Unrestricted	144,288	93,927
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total net assets	<u>144,288</u>	<u>93,927</u>
Total liabilities and net assets	<u>\$ 191,408</u>	<u>\$ 149,454</u>

See independent accountant's review report and accompanying notes to financial statements.

Friends of Big Brothers Big Sisters of Utah, Inc.

Statement of Activities

Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	December 31, 2013			Total	12/31/2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
SUPPORT AND REVENUES					
In-kind donations -					
clothing	\$ 1,681,133	\$ -	\$ -	\$ 1,681,133	\$ 1,646,894
Contributions	1,747	-	-	1,747	1,594
Interest income	56	-	-	56	150
Total support and revenues	1,682,936	-	-	1,682,936	1,648,638
EXPENSES					
Program services	270,000	-	-	270,000	250,000
General and administrative	65,799	-	-	65,799	71,211
Development/ fundraising	1,296,776	-	-	1,296,776	1,460,383
Total expenses	1,632,575	-	-	1,632,575	1,781,594
Change in net assets	50,361	-	-	50,361	(132,956)
Net assets, beginning of year	93,927	-	-	93,927	226,883
Net assets, end of year	<u>\$ 144,288</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,288</u>	<u>\$ 93,927</u>

See independent accountant's review report and
accompanying notes to financial statements.

Friends of Big Brothers Big Sisters of Utah, Inc.

Statement of Functional Expenses

Year Ended December 31, 2013

With Comparative Totals For The Year Ended December 31, 2012

	December 31, 2013				12/31/2012 Total
	Program Services	General and Administrative	Development/ Fundraising	Total	
Salaries and wages	\$ -	\$ 29,596	\$ 562,322	\$ 591,918	\$ 654,062
Payroll taxes	-	2,973	56,478	59,451	49,141
Employee benefits	-	2,963	56,307	59,270	88,601
Total salaries and related expenses	-	35,532	675,107	710,639	791,804
Contributions to BBBSU	270,000	-	-	270,000	250,000
Truck expenses	-	-	254,060	254,060	287,386
Mail solicitations	-	11,076	210,445	221,521	262,430
Rent	-	3,815	72,492	76,307	70,300
Supplies	-	1,150	21,858	23,008	13,890
Telephone	-	951	18,061	19,012	18,232
Drop box expense	-	-	16,379	16,379	20,523
Insurance	-	6,525	-	6,525	5,662
Legal and professional	-	5,184	-	5,184	5,036
Payroll fees	-	182	3,461	3,643	3,152
Travel	-	165	3,142	3,307	1,906
Postage	-	47	903	950	19,349
Interest and bank fees	-	31	590	621	77
Repairs and maintenance	-	28	535	563	2,622
Printing and publications	-	-	482	482	6,159
Conferences	-	8	156	164	161
License and permits	-	100	-	100	182
Total expenses before depreciation	270,000	64,794	1,277,671	1,612,465	1,758,871
Depreciation	-	1,005	19,105	20,110	22,723
Total expenses	\$ 270,000	\$ 65,799	\$ 1,296,776	\$ 1,632,575	\$ 1,781,594

See independent accountant's review report and accompanying notes to financial statements.

Friends of Big Brothers Big Sisters of Utah, Inc.
Statement of Cash Flows
Year Ended December 31, 2013
With Comparative Totals For The Year Ended December 31, 2012

	<u>12/31/2013</u>	<u>12/31/2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 50,361	\$ (132,956)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	20,110	22,723
Changes in current assets and liabilities:		
Accounts receivable	(13,365)	(1,664)
Inventory	2,888	12,112
Prepaid expenses	5,760	1,133
Accounts payable	(10,211)	9,832
Accrued liabilities	<u>1,803</u>	<u>(2,912)</u>
Net cash used in operating activities	<u>57,346</u>	<u>(91,732)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(153)</u>	<u>(11,095)</u>
Net cash used in investing activities	<u>(153)</u>	<u>(11,095)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	57,193	(102,827)
Cash and cash equivalents, beginning of year	<u>37,969</u>	<u>140,796</u>
Cash and cash equivalents, end of year	<u>\$ 95,162</u>	<u>\$ 37,969</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for income taxes	<u>\$ -</u>	<u>\$ -</u>

See independent accountant's review report and accompanying notes to financial statements.

Friends of Big Brothers Big Sisters of Utah

Notes to Financial Statements

December 31, 2013

1. ORGANIZATION HISTORY

Friends of Big Brothers Big Sisters of Utah (the "Organization") is a not-for-profit corporation organized under the laws of the State of Utah on April 1, 1999. In an effort to raise funds, the Organization was established to help fund Big Brothers Big Sisters of Utah through a donation center which solicits and collects donations of clothing and other used household items. These items are then sold to Savers, Inc., which sells the items in its thrift stores. The value assigned to the items is based on a fixed value assigned by Savers, Inc. per certain quantity of clothing collected. Savers, Inc. provided approximately 99% of the Organization's total support and revenue during the year ended December 31, 2013. Loss of this support may adversely affect the Organization's activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Association have been prepared on the accrual basis. The Association follows the provisions of Accounting Standards Codification (ASC) 958, Not-for Profit Entities.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Date of Management's Review

Subsequent events were evaluated through August 8, 2014, which is the date the financial statements were available to be issued. From their review, management has determined that there were no significant recognizable or unrecognizable subsequent events that were not properly disclosed.

Estimates in the Financial Statements

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. Actual results could differ from those estimates.

Classes of Net Assets

Revenues and gains are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- a. Unrestricted net assets represent the portion of net assets not subject to donor restrictions.
- b. Temporarily restricted net assets arise from contributions that are restricted by the donor for specific purposes or time periods.
- c. Permanently restricted net assets arise from contributions that are restricted by the donor in perpetuity.

All contributions are considered available for unrestricted use, unless specifically restricted by the donors. All expenses are reported as changes in unrestricted net assets.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are carried at their estimated collectible amounts. The Organization's accounts receivable are generally short-term in nature; thus, the Organization does not accrue finance or interest charges.

Accounts receivable are periodically evaluated for collectability based on past credit history with customers and their current financial condition. An allowance for doubtful accounts has not been established because management believes that all accounts receivable will be fully collectible.

Inventory

Inventory consists of donated clothing and is valued fair market value of what the Organization can receive for the items.

Fixed Assets

Fixed assets are recorded at acquisition cost, or if donated, at the fair market value at the date donated. The Organization capitalizes additions that exceed \$1,000. Depreciation expense is provided on a straight-line basis over the following estimated useful lives of the respective assets, which range from five to ten years. Equipment under capital lease obligations is depreciated on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Depreciation expense for the year ended December 31, 2013 was \$20,110.

Contributions

Unconditional promises to give are recognized as contributions when received at the net present value of the amounts expected to be collected. Contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a donor-imposed time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions are met in the same year the contribution is received are reported as unrestricted. Capital campaign contributions are considered temporarily restricted until the asset is placed into service.

Concentrations of Credit Risks

The Organization maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. At December 31, 2013, the Organization did not have any balances that exceeded the FDIC insurance limit of \$250,000. The Organization has not experienced any losses in such account and believes it is not exposed to any significant credit risk on cash.

The Organization receives 100% of their revenue from one corporate entity. The Organization had approximately 93% of its accounts receivable balance at December 31, 2013 from one customer.

Income taxes

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2013.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2013, 2012, 2011, and 2010 are subject to examination by the IRS, generally for three years after they were filed. Generally accepted accounting principles require tax effects from an uncertain tax position to be recognized in the financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50% likely to be recognized upon ultimate settlement with the taxing authority is recorded. The Organization's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2013, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying consolidated statement of financial position.

In-Kind Donations

A major portion of the Organization's support is derived from donated materials and services. All such materials and services have been assigned an approximate market value at the date of receipt by the Organization's staff. These donated materials and services meet the requirements of FASB ASC 958-605-25-20, *Items Given for Use in Fundraising*, and are, therefore, recorded in the period received.

Reclassifications

Certain items from December 31, 2012 have been reclassified to conform to the December 31, 2013 presentation.

3. RETIREMENT PLAN

The Organization has a defined contribution plan whereby participating employees may contribute up to 10% of their salary, not to exceed \$11,000 per year to the Plan. After one year of employment, the Organization matches 50% of the employees' contribution up to a maximum contribution equal to three percent of their salary. The total matching contribution made by the Organization for the year ended December 31, 2013 was \$71.

4. LEASE OBLIGATIONS

Operating Leases - The Organization has entered into various operating leases for the use of vehicles. The leases call for monthly payments of \$11,994 and expire from 2017 through 2019.

The Organization also entered into operating lease arrangements for the use of their three facilities. The first lease commenced on April 1, 2010. This lease requires base monthly payments of \$2,315. The base rent will be adjusted by the National CPI Urban index for the prior 12 months. The second lease commenced on August 1, 2011. This lease requires base monthly payments of \$1,257. This base rent will be adjusted by 3% for each 12 month period. The third lease commenced on February 1, 2012. This lease requires base monthly payments of 1,436. This base rent will be adjusted by 3% for each 12 month period. The future minimum lease payments required under these lease obligations are as follows:

For the year ended December 31,	
2014	\$ 205,286
2015	185,034
2016	174,786
2017	129,297
2018	111,528
Thereafter	<u>27,882</u>
Total	<u>\$ 833,813</u>

5. RELATED PARTY TRANSACTIONS

The Organization's board of directors is comprised of two members of the board of directors for Big Brothers Big Sisters of Utah. During the year, the Organization donated \$270,000 in support to Big Brothers Big Sisters of Utah. As of December 31, 2013 the Organization had an accounts receivable balance of \$923 and an accounts payable balance of \$1,864 from/to Big Brothers Big Sisters of Utah.

6. PRIOR YEAR INFORMATION

The accompanying financial statements include certain prior year (2012) summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles in the United States of America. The financial information for the year ended December 31, 2012 is presented for comparative purposes only. The notes presented herein contain information relating to December 31, 2013 only. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012 from which the summarized information was derived