

# Friends of Big Brothers Big Sisters of Utah, Inc.

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

*For the Years Ended December 31, 2016 and 2015*



**FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.**

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## Independent Auditor's Report

### To the Board of Directors

### Friends of Big Brothers Big Sisters of Utah, Inc.

We have audited the accompanying financial statements of **Friends of Big Brothers Big Sisters of Utah** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015 and the related statements of activities, functional expenses and cash flows for the years 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 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 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 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 **Friends of Big Brothers Big Sisters of Utah** as of December 31, 2016 and 2015, and the changes in its net assets and its 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  
July 10, 2017

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# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

Statements of Financial Position  
As of December 31, 2016 and 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 570,051	\$ 473,281
Accounts receivable	47,784	30,332
Prepaid expenses	23,772	20,282
Inventory	23,661	8,058
<b>Total current assets</b>	<b>665,268</b>	<b>531,953</b>
<b>Property and equipment, net</b>	<b>18,274</b>	<b>9,241</b>
<b>Total assets</b>	<b>\$ 683,542</b>	<b>\$ 541,194</b>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current liabilities</b>		
Accounts payable	\$ 56,872	\$ 63,170
Accrued liabilities	29,254	27,504
Deferred revenue	23,661	-
<b>Total current liabilities</b>	<b>109,787</b>	<b>90,674</b>
<b>Net assets</b>		
Unrestricted	573,755	450,520
<b>Total net assets</b>	<b>573,755</b>	<b>450,520</b>
<b>Total liabilities and net assets</b>	<b>\$ 683,542</b>	<b>\$ 541,194</b>

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

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

## Statements of Activities

For the Years Ended December 31, 2016 and 2015

<b>Change in Unrestricted Net Assets</b>	<b>2016</b>	<b>2015</b>
<b>Support and revenues</b>		
Sales of donated goods	\$ 2,278,079	\$ 2,143,776
Contributions	893	1,082
Interest and dividends	413	301
<b>Total support and revenues</b>	<b>2,279,385</b>	<b>2,145,159</b>
<b>Expenses</b>		
Program services	491,000	438,700
General and administrative	187,419	168,821
Development/fundraising	1,477,731	1,365,917
<b>Total expenses</b>	<b>2,156,150</b>	<b>1,973,438</b>
<b>Change in unrestricted net assets</b>	<b>123,235</b>	<b>171,721</b>
Unrestricted net assets at beginning of year	450,520	278,799
<b>Unrestricted net assets at end of year</b>	<b>\$ 573,755</b>	<b>\$ 450,520</b>

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

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

Functional Expenses	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development/ Fundraising</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 86,994	\$ 685,915	\$ 772,909
Payroll taxes	-	7,052	55,604	62,656
Employee benefits	-	7,821	61,665	69,486
<b>Total salaries and related expenses</b>	-	101,867	803,184	905,051
Contributions to BBBSU	491,000	-	-	491,000
Truck expenses	-	27,026	213,100	240,126
Mail solicitations	-	28,606	225,545	254,151
Rent	-	11,873	93,613	105,486
Drop box expense	-	2,403	18,943	21,346
Partner clothing payments	-	6,401	50,472	56,873
Telephone	-	2,029	15,996	18,025
Supplies	-	1,071	8,444	9,515
Repairs and maintenance	-	1,463	11,534	12,997
Insurance	-	1,232	9,714	10,946
Legal and professional	-	1,238	9,762	11,000
Printing and publications	-	469	3,699	4,168
Travel	-	490	3,867	4,357
Payroll fees	-	340	2,679	3,019
Interest and bank fees	-	35	276	311
License and permits	-	69	541	610
Depreciation	-	807	6,362	7,169
<b>Total expenses</b>	<b>\$ 491,000</b>	<b>\$ 187,419</b>	<b>\$ 1,477,731</b>	<b>\$ 2,156,150</b>

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

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

## Statement of Functional Expenses For the Year Ended December 31, 2015

Functional Expenses	<u>Program Services</u>	<u>General and Administrative</u>	<u>Development/ Fundraising</u>	<u>Total</u>
Salaries and wages	\$ -	\$ 80,464	\$ 651,029	\$ 731,493
Payroll taxes	-	6,936	56,115	63,050
Employee benefits	-	5,857	47,389	53,246
<b>Total salaries and related expenses</b>	-	93,257	754,532	847,789
Contributions to BBBSU	438,700	-	-	438,700
Truck expenses	-	25,074	202,869	227,942
Mail solicitations	-	23,841	192,894	216,734
Rent	-	8,273	66,937	75,210
Drop box expense	-	2,728	22,072	24,799
Partner cloth payments	-	6,415	51,902	58,317
Telephone	-	2,615	21,157	23,772
Supplies	-	1,880	15,211	17,091
Repairs and maintenance	-	491	3,974	4,465
Insurance	-	1,124	9,098	10,222
Legal and professional	-	610	4,939	5,550
Printing and publications	-	464	3,750	4,214
Travel	-	304	2,463	2,767
Payroll fees	-	332	2,688	3,020
Interest and bank fees	-	36	290	326
Conferences	-	27	214	241
Postage	-	7	56	62
Depreciation	-	1,344	10,872	12,216
<b>Total expenses</b>	<u>\$ 438,700</u>	<u>\$ 168,821</u>	<u>\$ 1,365,917</u>	<u>\$ 1,973,438</u>

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

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

## Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>Cash Flows from Operating Activities</b>		
<b>Change in net assets</b>	<b>\$ 123,235</b>	<b>\$ 171,721</b>
<b>Adjustments to reconcile change in unrestricted net assets to net cash from operating activities:</b>		
Depreciation and amortization	7,169	12,216
<b>Change in operating assets and liabilities</b>		
Accounts receivable	(17,452)	42,836
Prepaid expenses	(3,490)	(10,360)
Inventory	(15,603)	(8,058)
Accounts payable	(6,298)	19,272
Accrued liabilities	1,750	(2,904)
Deferred revenue	23,661	-
<b>Net cash from operating activities</b>	<b>112,972</b>	<b>224,723</b>
<b>Cash flows from investing activities:</b>		
Purchases of furniture and equipment	(16,202)	-
<b>Net cash from investing activities</b>	<b>(16,202)</b>	<b>-</b>
<b>Net change in cash and cash equivalents</b>	<b>96,770</b>	<b>224,723</b>
Cash and cash equivalents at beginning of year	<b>473,281</b>	<b>248,558</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 570,051</b>	<b>\$ 473,281</b>

### Supplemental Disclosures:

No interest or taxes were paid for the years ending December 31, 2016 and 2015.

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

## 1. ORGANIZATION HISTORY

Friends of Big Brothers Big Sisters of Utah, Inc. (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 TVI, Inc., which sells the items in its thrift stores. The value assigned to the items is based on a fixed value per pound, assigned by TVI, Inc.

## 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.
- **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.
- **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.

### 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.

# **FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.**

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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.

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 receivable are considered fully collectible; accordingly, no allowance is included as of December 31, 2016 and 2015.

### **Inventory**

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

### **Property and Equipment**

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 \$3,000. 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.

### **Promises to Give**

Promises to give are recorded at their estimated fair value. Amounts due later than one year, if any, are recorded at the present value of estimated future cash flows. The Organization estimates the allowance based on analysis of specific donors, taking into consideration the age of past due pledges and an assessment of the donor's ability to pay. At December 31, 2016 and 2015, management of the Organization considers all promises to be collectible; therefore, no allowance has been recorded.

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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.

### 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 expense when they are incurred. Advertising expense, which includes mail solicitations, was **\$254,151** and \$216,734 for the years ended December 31, 2016 and 2015, respectively.

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Concentrations of Credit Risk**

The Organization maintains its cash in bank deposit accounts which may, at times, exceed federally insured limits. It is the Organization's policy to transfer cash between banking institutions and/or open new bank accounts, as necessary, in order to stay under the federally insured limits. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

The Organization received approximately 99% of its revenue through sales to one corporate entity for the years ended December 31, 2016 and 2015. The Organization had approximately 90% and 9% of its accounts receivable balance at December 31, 2016 from two customers, and 89% and 11% of its accounts receivable balance at December 31, 2015 from two customers.

### **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.

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.

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

## 2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **Recently Issued Accounting Pronouncements (Continued)**

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.

### **Income Tax Status**

The Organization qualifies as a tax-exempt organization 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.

# FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.

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

## 3. 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 matches 50% of the employees' contribution up to a maximum contribution equal to 3% percent of their salary. Matching contributions made by the Organization for the years ending December 31, 2016 and 2015 were **\$258** and \$0, respectively.

## 4. PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 180,569	\$ 164,366
Accumulated depreciation and amortization	<u>(162,295)</u>	<u>(155,125)</u>
<b>Net property and equipment</b>	<b><u>\$ 18,274</u></b>	<b><u>\$ 9,241</u></b>

Depreciation expense charged to operations for the years ended December 31, 2016 and 2015 was **\$7,169** and \$12,216, respectively.

## 5. LEASE OBLIGATIONS

In 2014, the Organization entered into various operating leases for the use of vehicles. The leases call for monthly payments of \$9,504 and expire in 2019.

The Organization also entered into operating lease arrangements for the use of three facilities. The first lease commenced in October 2015. This lease requires base monthly payments of \$5,563. 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 \$1,373. This base rent will be adjusted by 3% for each 12 month period. The third lease commenced on January 1, 2017 and requires monthly payments of \$1,571. The future minimum lease payments required under these lease obligations are as follows:

<u>Years Ending December 31,</u>		
2017	\$	199,664
2018		199,664
2019		95,120
2020		85,616
2021		85,616
Thereafter		<u>44,506</u>
<b>Total</b>	<b>\$</b>	<b><u>710,182</u></b>

Total lease expense for the years ended December 31, 2016 and 2015 was **\$105,486** and \$75,210.

# **FRIENDS OF BIG BROTHERS BIG SISTERS OF UTAH, INC.**

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

## **6. RELATED PARTY TRANSACTIONS**

The Organization's board of directors includes two members of the board of directors of Big Brothers Big Sisters of Utah. The amount donated in support of Big Brothers Big Sisters of Utah was **\$491,000** and \$438,700 for the years ended December 31, 2016 and 2015, respectively. The Organization also received **\$20,548** and \$21,694, respectively, from Big Brothers Big Sisters of Utah for other reimbursements, and paid **\$145,936** and \$110,857, respectively, to Big Brothers Big Sisters of Utah for other reimbursements. As of December 31, 2016 and 2015, the Organization had an accounts receivable balance outstanding from Big Brother Brothers Big Sisters of Utah of **\$4,189** and \$3,129, respectively. As of December 31, 2016 and 2015 the Organization had an accounts payable outstanding to Big Brothers Big Sisters of Utah of **\$22,000** and \$4,485, respectively.

## **7. SUBSEQUENT EVENTS**

Management has evaluated events and accounts of the Organization from December 31, 2016 through the date of this report, which is 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.