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, 2017 and 2016

Larson
CERTIFIED PUBLIC ACCOUNTANTS

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

C O N T E N T S

Larson
CERTIFIED PUBLIC ACCOUNTANTS

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, 2017 and 2016, 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, 2017 and 2016, 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
May 11, 2018

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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, 2017 and 2016

ASSETS	2017	2016
Current assets		
Cash and cash equivalents	**$ 1,332,391**	$ 798,209
Receivables		
Grants and contracts	**141,644**	175,373
Other	**22,380**	5,598
Receivables, related party		
Grants and contracts	**56,011**	83,687
Other	**-**	29,000
Promises to give	**-**	25,000
Prepaid expenses	**1,655**	615
Total current assets	**1,554,081**	1,117,482
Investments	**176,568**	166,190
Property and equipment, net	**835**	1,679
Total assets	**$ 1,731,484**	$ 1,285,351

LIABILITIES AND NET ASSETS	2017	2016
Current liabilities		
Accounts payable	**$ 50,634**	$ 36,484
Accrued liabilities	**36,547**	21,765
Total current liabilities	**87,181**	58,249
Net assets		
Unrestricted		
Board designated	**364,792**	342,305
Undesignated	**978,074**	583,607
Temporarily restricted	**211,980**	211,733
Permanently restricted	**89,457**	89,457
Total net assets	**1,644,303**	1,227,102
Total liabilities and net assets	**$ 1,731,484**	$ 1,285,351

The accompanying notes to the 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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES				
Support, revenues, gains and losses				
Friends of BBBS	$ 561,000	$ -	$ -	$ 561,000
United Way	82,299	110,000	-	192,299
Foundation grants	224,950	15,000	-	239,950
Corporate donations	213,693	-	-	213,693
Government grants	307,794	-	-	307,794
Contract revenue	90,028	-	-	90,028
Contributions	125,488	-	-	125,488
In-kind donations	37,915	-	-	37,915
Special events (net of $62,869 direct benefits to donors)	241,939	-	-	241,939
Interest and dividends	7,822	-	-	7,822
Net unrealized gain on investments	-	10,551	-	10,551
Total support, revenues, gains and losses	1,892,928	135,551	-	2,028,479
Satisfaction of restrictions	135,528	(135,528)	-	-
Total support, revenues, gains, losses and satisfaction of restrictions	2,028,456	23	-	2,028,479
EXPENSES				
Mentoring programs	1,271,324	-	-	1,271,324
General and administrative	102,156	-	-	102,156
Development and fundraising	237,798	-	-	237,798
Total expenses	1,611,278	-	-	1,611,278
Change in net assets	417,178	23	-	417,201
Net assets at beginning of year	925,912	211,733	89,457	1,227,102
Net assets at end of year	$ 1,343,090	$ 211,756	$ 89,457	$ 1,644,303

The accompanying notes to the 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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUES				
Support, revenues, gains and losses				
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 benefits to donors)	241,011	-	-	241,011
Interest and dividends	-	7,461	-	7,461
Net unrealized gain on investments	-	9,032	-	9,032
Total support, revenues, gains and losses	1,775,361	131,493	-	1,906,854
Satisfaction of restrictions	162,349	(162,349)	-	-
Total support, revenue, gains, losses 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 the 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, 2017

	Mentoring Programs	General and Administrative	Development Fundraising	Totals
Functional Expenses				
Salaries and wages	$ 815,589	$ 35,220	$ 167,567	$ 1,018,376
Payroll taxes	74,485	10,670	9,664	94,819
Employee benefits	101,386	4,173	4,344	109,903
Total salaries and related expenses	991,460	50,063	181,576	1,223,099
Rent	47,036	10,301	8,447	65,784
Program and affiliation fees	75,125	129	-	75,254
Event expenses	-	-	62,869	62,869
Travel and professional development	28,323	5,307	5,520	39,150
General and professional liability insurance	23,276	6,721	1,475	31,472
Information technology	31,709	6,024	5,702	43,435
Supplies	34,640	5,181	4,048	43,869
Printing, publications and postage	6,723	476	3,903	11,102
In-kind development supplies	-	-	17,706	17,706
In-kind program supplies	20,209	-	-	20,209
Professional fees	12,793	15,386	7,677	35,856
Interest and bank fees	30	1,723	1,744	3,497
Depreciation	-	845	-	845
Total functional expenses	1,271,324	102,156	300,667	1,674,147
Less expenses included with revenue	-	-	(62,869)	(62,869)
Functional expenses statement of activities	$ 1,271,324	$ 102,156	$ 237,798	$ 1,611,278

The accompanying notes to the 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

	Mentoring Programs	General and Administrative	Development Fundraising	Totals
Functional Expenses				
Salaries and wages	$ 678,441	$ 58,810	$ 198,384	$ 935,634
Payroll taxes	59,952	3,843	13,066	76,860
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	38,399
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	7,578
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 the 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, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Change in net assets	**$ 417,201**	$ 428,684
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	**845**	845
Unrealized (gain) loss on investments	**(10,775)**	(9,032)
Change in operating assets and liabilities		
Receivables	**16,947**	25,840
Receivables, related party	**57,072**	(104,404)
Promises to give	**25,000**	25,000
Prepaid expenses	**(1,040)**	1,107
Accounts payable	**14,150**	33,355
Accrued liabilities	**14,782**	(34,906)
Net cash from operating activities	**534,182**	366,489
Cash flows from investing activities		
Proceeds from sale of investments	**48,764**	53,269
Purchase of investments	**(48,764)**	(47,440)
Net cash from investing activities	**-**	5,829
Net change in cash and cash equivalents	**534,182**	372,318
Cash and cash equivalents at beginning of year	**798,209**	425,891
Cash and cash equivalents at end of year	**$ 1,332,391**	$ 798,209

Supplemental Disclosures

No interest or taxes were paid for the year ended December 31, 2017 and 2016.

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

1. ORGANIZATION HISTORY

Big Brothers Big Sisters of Utah, ("BBBSU") is a not-for-profit corporation and 501(c)(3) 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, Mentor 2.0 and Beyond School Walls, which utilize many community partners including United Way of Salt Lake, various municipalities and 7 school districts, and 17 schools state-wide. 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 BBBSU. The Foundation holds investment balances and files a separate Informational Return Form 990 with the IRS annually. These investment assets are governed by the investment policies of BBBSU.

The combined audited financial statements of BBBSU and the Foundation include the assets, liabilities and operating results of both entities and are referred to collectively 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.

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, 2017 and 2016.

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.

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. 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. 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. 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:

Assets	Useful Lives
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 unrestricted. Any restricted funds remaining at year-end are classified as such.

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 meet the criteria for recognition in the financial statements.

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 **$428,** and $198 for the years ended December 31, 2017 and 2016, respectively.

Concentrations of credit risk

The Organization maintains its cash in bank deposit accounts and per its financial policies these balances are maintained below the federally insured limit of $250,000. As balances in specific bank accounts exceed the federally insured limit, there are brief periods when balances may exceed federally insured limits. BBBSU has not experienced any losses during these periods and believes it is not exposed to any significant credit risk.

There were no promises to give as of December 31, 2017. The balance of promises to give consisted of promises from one donor which totaled 100% of the balance as of December 31, 2016.

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.

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.

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.

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 **$1,501**, and $1,602 for the years ended December 31, 2017 and 2016. Components of investment return consisted of the following as of December 31:

	2017	**2016**
Interest and dividends	**$ 7,822**	$ 7,461
Net unrealized gain	**10,551**	9,032
Investment return	**$ 18,373**	$ 16,493

Fair value

The fair values of the financial instruments held as investments and shown in the following tables as of December 31, 2017 and 2016 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.

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, 2017 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	**$ 176,568**	**$ 176,568**	**$ -**	**$ -**
	$ 176,568	**$ 176,568**	**$ -**	**$ -**

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	$ -	$ -
	$ 166,190	$ 166,190	$ -	$ -

4. PROMISES TO GIVE

Promises to give are as follows at December 31:

	2017	2016
Amounts due:		
1 year or less	**$ -**	$ 25,000
Thereafter	**-**	-
Total promises to give	**$ -**	$ 25,000

5. PROPERTY AND EQUIPMENT

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

	2017	2016
Furniture and equipment	**$ 8,363**	$ 37,602
Accumulated depreciation	**(7,529)**	(35,923)
Net property and equipment	**$ 835**	$ 1,679

Depreciation expense charged to operations for the years ended December 31, 2017 and 2016 was **$845** and $845, 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, 2017 and 2016 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, 2017 and 2016, the amount was **$364,792** and $342,305, respectively.

8. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows as of December 31, 2017 and 2016:

	2017	2016
United Way of Salt Lake:		
Grant year from July - June	**$ 95,000**	$ 95,000
United Way Dixie:		
Grant through 2018	**15,000**	15,000
George S. and Delores Doré Eccles Foundation:		
Mentor 2.0 program	**-**	25,000
Simmons Family Foundation:		
Mentor 2.0 program	**14,645**	-
Accumulated endowment earnings	**87,111**	76,733
Total temporarily restricted net assets	**$ 211,756**	$ 211,733

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, 2017 and 2016 unappropriated investment returns totaling **$87,111** and $76,733, respectively, were held in the temporarily restricted net asset class.

10. ENDOWMENT

The Foundation holds the endowment funds and was established to support the mission of BBBSU. The corpus of the Foundation consists of funds permanently restricted by the donor.

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.

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, 2016	$ 85,589	$ 89,457	$ 175,046
Interest and dividends	7,461	-	7,461
Net 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
Interest and dividends	**6,856**	**-**	**6,856**
Net unrealized gain	**10,551**	**-**	**10,551**
Asset management fees	**(1,501)**	**-**	**(1,501)**
Amounts appropriated for expenditure	**(5,528)**	**-**	**(5,528)**
Balance at December 31, 2017	**$ 87,111**	**$ 89,457**	**$ 176,568**

11. OPERATING LEASES

The Organization leases office space in Salt Lake City, Park City and St. George 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. The St. George office space lease is shared with Friends of Big Brothers Big Sisters of Utah ("Friends"). The board of directors of the Organization and of Friends have verbally agreed that Friends pays an allocated portion of the lease payment directly to the landlord. The Organization is legally liable for the full lease payment, and the future minimum lease payments schedule presented below includes the full lease payment. For the years ending December 31, 2017 and 2016, the total rent expense was **$65,783** and $68,658, respectively.

The future minimum lease payments are as follows:

Years Ending December 31,		
2018	$	81,912
2019		81,912
2020		41,712
2021		30,912
Thereafter		-
Total	$	236,448

12. CONCENTRATIONS OF CREDIT AND MARKET RISK

The Organization maintains its cash and cash equivalent balances with banks located in Salt Lake City, Utah. By policy, deposits should not 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, 2017, two entities accounted for **27.6%** and **9.5%** of the Organization's total revenue.

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.

13. CONTINGENCIES

From time to time, the Organization is involved in routine litigation that arises in the ordinary course of business. There is one pending legal proceeding that was filed in March 2017 to which the Company is a party. The Organization has an insurance policy in place that is funding the defense, so it is unlikely the Organization will incur any litigation expenses. Based on the current position of the case and based on the opinion of legal counsel, we are not able to estimate the likelihood of any particular outcome.

14. RELATED PARTY TRANSACTIONS

The Organization 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, 2017 and 2016, the Organization received revenues of **$561,000** and $491,000, respectively from Friends. The Organization also received **$166,460** and $145,936, respectively, in other expense reimbursements from Friends, and paid **$11,251** and $20,548, respectively, to Friends for other expense reimbursements for the years ended December 31, 2017 and 2016. As of December 31, 2017 and 2016, the Organization had an accounts receivable balance from Friends in the amount of **$0,** and $29,000, respectively. Also, as of December 31, 2017 and 2016, the Organization had an accounts payable balance to Friends in the amount of **$8,319** and $0, respectively.

For the years ended December 31, 2017 and 2016, the Organization paid **$15,896** and $17,250, respectively, to Big Brothers Big Sisters of America for affiliation fees and for the use of proprietary case management software. As of December 31, 2017 and 2016 the Organization had accounts receivable from this entity totaling **$56,011** and $83,687, 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 **$1,674** and $1,730 in commissions relating to the policies sold to the Organization during the years ended December 31, 2017 and 2016, respectively.

15. 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 **$13,724** and $11,686 for the years ended December 31, 2017 and 2016, respectively.

16. SUBSEQUENT EVENTS

Management has evaluated events and accounts of the Organization from December 31, 2017 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. No events have occurred subsequent to December 31, 2017 which would have a material effect on the financial condition of the Organization.