

**BIG BROTHERS BIG SISTERS  
INDEPENDENCE REGION**

**FINANCIAL STATEMENTS**

**WITH REPORTING REQUIREMENTS FOR  
*GOVERNMENT AUDITING STANDARDS***

**DECEMBER 31, 2016 AND 2015  
(with supplementary information)**

**BIG BROTHERS BIG SISTERS INDEPENDENCE REGION**

**Contents**

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of financial position as of December 31, 2016 and 2015	3
Statements of activities and changes in net assets for the years ended December 31, 2016 and 2015	4
Statements of functional expenses for the years ended December 31, 2016 and 2015	6
Statements of cash flows for the years ended December 31, 2016 and 2015	7
Notes to financial statements	8
<b>Reporting Requirements for <i>Government Auditing Standards</i></b>	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	19
<b>Supplementary Information</b>	
Schedule of outcome (unaudited)	21

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Big Brothers Big Sisters Independence Region

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Big Brothers Big Sisters Independence Region (the "Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for each of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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 on the previous page present fairly, in all material respects, the financial position of Big Brothers Big Sisters Independence Region as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for each of the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying nonaccounting information shown on the schedule of outcome on page 21, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. The nonaccounting information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2017 on our consideration of Big Brothers Big Sisters Independence Region's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters Independence Region's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania  
March 29, 2017

# BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

## Statements of Financial Position

	December 31	
	2016	2015
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 955,302	\$ 443,509
Contributions, pledges and grants receivable	1,713,375	2,037,688
Investments	2,935,077	2,825,722
Prepaid expenses	18,782	19,657
<b>Total current assets</b>	<b>5,622,536</b>	<b>5,326,576</b>
<b>Property and equipment:</b>		
Land	10,000	10,000
Building and leasehold improvements	268,346	263,206
Furniture, fixtures and equipment	163,223	187,934
Vehicles	-	76,517
	441,569	537,657
Less accumulated depreciation	318,501	393,126
<b>Net property and equipment</b>	<b>123,068</b>	<b>144,531</b>
<b>Other assets:</b>		
Contributions, pledges, and grants receivable, net	45,522	146,951
Deposits and other assets	10,636	10,636
Escrow, unemployment fund	19,450	15,735
<b>Total other assets</b>	<b>75,608</b>	<b>173,322</b>
	<b>\$ 5,821,212</b>	<b>\$ 5,644,429</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 155,550	\$ 161,129
Deferred revenue	29,000	-
Deferred rent	90,653	60,039
<b>Total liabilities</b>	<b>275,203</b>	<b>221,168</b>
<b>Commitments</b>		
<b>NET ASSETS</b>		
<b>Unrestricted:</b>		
Operations	4,350,182	4,474,992
Board designated	350,000	350,000
	4,700,182	4,824,992
<b>Temporarily restricted</b>	<b>809,877</b>	<b>562,319</b>
<b>Permanently restricted</b>	<b>35,950</b>	<b>35,950</b>
<b>Total net assets</b>	<b>5,546,009</b>	<b>5,423,261</b>
	<b>\$ 5,821,212</b>	<b>\$ 5,644,429</b>

See notes to financial statements

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Statement of Activities and Changes in Net Assets Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating revenues and support:</b>				
Government funding	\$ 1,627,453	\$ -	\$ -	\$ 1,627,453
Foundations, corporate and other support	1,682,153	940,670	-	2,622,823
Contributions	847,791	22,216	-	870,007
Special events, net of direct benefit to donors of \$247,520	871,256	-	-	871,256
Net assets released from restrictions	725,413	(725,413)	-	-
	<u>5,754,066</u>	<u>237,473</u>	<u>-</u>	<u>5,991,539</u>
<b>Operating expenses:</b>				
Program services:				
Mentoring services	4,390,560	-	-	4,390,560
Mentoring Resource Center	185,411	-	-	185,411
Supporting services:				
Management and general	567,531	-	-	567,531
Fundraising	1,131,971	-	-	1,131,971
	<u>6,275,473</u>	<u>-</u>	<u>-</u>	<u>6,275,473</u>
<b>Increase (decrease) in net assets from operations</b>	<u>(521,407)</u>	<u>237,473</u>	<u>-</u>	<u>(283,934)</u>
<b>Nonoperating activities:</b>				
Net realized and unrealized gain on investments	149,272	-	-	149,272
Gain on sale of vehicles	19,500	-	-	19,500
Interest and dividend income	68,263	-	-	68,263
Excess of net assets acquired in acquisition of Big Brothers Big Sisters of Burlington, Camden and Gloucester Counties	159,562	10,085	-	169,647
<b>Increase in net assets from nonoperating activities</b>	<u>396,597</u>	<u>10,085</u>	<u>-</u>	<u>406,682</u>
<b>Change in net assets</b>	<u>(124,810)</u>	<u>247,558</u>	<u>-</u>	<u>122,748</u>
<b>Net assets at beginning of year</b>	<u>4,824,992</u>	<u>562,319</u>	<u>35,950</u>	<u>5,423,261</u>
<b>Net assets at end of year</b>	<u>\$ 4,700,182</u>	<u>\$ 809,877</u>	<u>\$ 35,950</u>	<u>\$ 5,546,009</u>

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Statement of Activities and Changes in Net Assets Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Operating revenues and support:</b>				
Government funding	\$ 1,734,485	\$ -	\$ -	\$ 1,734,485
Foundations, corporate and other support	1,278,506	624,620	-	1,903,126
Contributions	845,010	60,032	-	905,042
Special events, net of direct benefit to donors of \$685,671	988,499	-	-	988,499
Contributed services	1,146,786	-	-	1,146,786
Mentoring Resource Center	219,450	-	-	219,450
Net assets released from restrictions	378,079	(378,079)	-	-
	<u>6,590,815</u>	<u>306,573</u>	<u>-</u>	<u>6,897,388</u>
<b>Operating expenses:</b>				
Program services:				
Mentoring services	4,198,861	-	-	4,198,861
Mentoring Resource Center	102,045	-	-	102,045
Supporting services:				
Management and general	627,413	-	-	627,413
Fundraising	2,259,161	-	-	2,259,161
	<u>7,187,480</u>	<u>-</u>	<u>-</u>	<u>7,187,480</u>
<b>Increase (decrease) in net assets from operations</b>	<u>(596,665)</u>	<u>306,573</u>	<u>-</u>	<u>(290,092)</u>
<b>Nonoperating activities:</b>				
Net realized and unrealized loss on investments	(172,874)	-	-	(172,874)
Interest and dividend income	97,529	-	-	97,529
	<u>(75,345)</u>	<u>-</u>	<u>-</u>	<u>(75,345)</u>
<b>Change in net assets</b>	(672,010)	306,573	-	(365,437)
<b>Net assets at beginning of year</b>	<u>5,497,002</u>	<u>255,746</u>	<u>35,950</u>	<u>5,788,698</u>
<b>Net assets at end of year</b>	<u>\$ 4,824,992</u>	<u>\$ 562,319</u>	<u>\$ 35,950</u>	<u>\$ 5,423,261</u>

See notes to financial statements

**BIG BROTHERS BIG SISTERS INDEPENDENCE REGION**

**Statements of Functional Expenses**

	Year Ended December 31										
	2016					2015					
	Program Services		Supporting Services			Total Expenses	Program Services		Supporting Services		Total Expenses
	Mentoring Services	Mentoring Resource Center	Management and General	Fundraising	Mentoring Services		Mentoring Resource Center	Management and General	Fundraising		
Employee related expenses	\$ 3,421,377	\$ 137,267	\$ 367,296	\$ 758,952	\$ 4,684,892	\$ 2,865,247	\$ 77,439	\$ 348,476	\$ 580,794	\$ 3,871,956	
Professional fees	39,865	19,759	122,876	104,875	287,375	99,561	1,475	141,611	266,645	509,292	
Facilities expenses	480,605	19,282	51,594	106,612	658,093	397,484	10,743	80,571	48,343	537,141	
Equipment and office expenses	62,109	2,492	6,668	13,777	85,046	327,554	8,853	39,838	66,395	442,640	
Travel, conferences and meetings	75,740	2,740	10,648	15,605	104,733	52,531	2,025	8,241	21,331	84,128	
Insurance	51,978	2,085	5,580	11,531	71,174	46,254	1,250	5,626	9,376	62,506	
Marketing and fund development	11,751	1,679	-	75,049	88,479	11,835	-	-	102,020	113,855	
In-kind advertising	-	-	-	-	-	-	-	-	1,146,786	1,146,786	
Program and recruitment activities	220,411	-	-	-	220,411	369,828	-	-	-	369,828	
Bad debt expense	-	-	-	38,677	38,677	-	-	-	12,152	12,152	
Depreciation	26,724	107	2,869	6,893	36,593	28,567	260	3,050	5,319	37,196	
	<u>\$ 4,390,560</u>	<u>\$ 185,411</u>	<u>\$ 567,531</u>	<u>\$ 1,131,971</u>	<u>\$ 6,275,473</u>	<u>\$ 4,198,861</u>	<u>\$ 102,045</u>	<u>\$ 627,413</u>	<u>\$ 2,259,161</u>	<u>\$ 7,187,480</u>	



## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Statements of Cash Flows

	<b>Year Ended December 31</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 122,748	\$ (365,437)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	36,593	37,196
Bad debt expense	38,677	12,152
Realized and unrealized (gain) loss on investments	(149,272)	172,874
Gain on sale of vehicles	(19,500)	-
Donated securities	(2,076)	(20,874)
Proceeds from sale of donated securities	2,042	20,874
Excess of net assets acquired over cash received in acquisition of Big Brothers Big Sisters of Burlington, Camden and Gloucester Counties	(34,092)	-
(Increase) decrease in assets:		
Contributions, pledges, and grants receivable	465,026	(1,129,523)
Prepaid expenses	6,597	5,583
Deposits and other assets	-	5,668
Escrow, unemployment fund	(3,715)	(2,326)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(14,871)	40,485
Deferred revenue	(11,299)	-
Deferred rent	30,614	60,039
Net cash provided by (used in) operating activities	<u>467,472</u>	<u>(1,163,289)</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of vehicles	19,500	-
Purchase of property and equipment	(15,130)	(26,584)
Proceeds from sale of investments	711,763	1,272,389
Purchase of investments	(671,812)	(740,590)
Net cash provided by investing activities	<u>44,321</u>	<u>505,215</u>
<b>Change in cash and cash equivalents</b>	<b>511,793</b>	<b>(658,074)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>443,509</b>	<b>1,101,583</b>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 955,302</u></b>	<b><u>\$ 443,509</u></b>

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE A - ORGANIZATION

The mission of Big Brothers Big Sisters Independence Region (the "Organization") is to improve the lives of children and strengthen communities through professionally supported, one-to-one mentoring relationships.

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### [1] Basis of presentation:

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Effective January 1, 2016, Big Brothers Big Sisters Southeastern Pennsylvania acquired Big Brothers Big Sisters of Burlington, Camden and Gloucester Counties. The combined entity is now known as Big Brothers Big Sisters Independence Region to reflect the newly expanded geographic area. Through this affiliation, the entities seek to achieve economies of scale and other synergies through integrating their services. Following is a summary of the assets and liabilities of Big Brothers Big Sisters of Burlington, Camden and Gloucester Counties as of December 31, 2015 that, as of January 1, 2016, is included in Big Brothers Big Sister Independence Region's financial statements under the terms of the acquisition agreement:

#### ASSETS

Cash and cash equivalents	\$ 135,555
Receivable	77,961
Prepaid expense	2,822
Deposits	2,900
<b>Total assets</b>	<b>\$ 219,238</b>

#### LIABILITIES

Accounts payable and accrued expenses	\$ 9,292
Deferred income	40,299
<b>Total liabilities</b>	<b>49,591</b>

#### NET ASSETS

Unrestricted	159,562
Temporarily restricted	10,085
<b>Total net assets</b>	<b>169,647</b>
<b>Total liabilities and net assets</b>	<b>\$ 219,238</b>

## **BIG BROTHERS BIG SISTERS INDEPENDENCE REGION**

### **Notes to Financial Statements December 31, 2016 and 2015**

#### **NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

##### **[2] Use of estimates:**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

##### **[3] Cash and cash equivalents:**

Cash and cash equivalents include all cash balances and highly liquid investments with initial maturities of three months or less. The Organization places its temporary cash investments with high credit quality financial institutions. At times, such funds may be in excess of the Federal Deposit Insurance Corporation insurance limit. Management believes that it is not exposed to any significant credit risks on its cash accounts.

##### **[4] Revenue recognition:**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Conditional promises to give are not included as revenue until such time as the conditions are substantially met. Revenue from government grants is recognized as expenditures are made.

##### **[5] Contributions, pledges and grants receivable:**

Contributions receivable include individual, corporate and foundation amounts. The Organization records promises to give at the estimated present value of the future cash flows, net of an allowance for doubtful accounts. The allowance is based on prior years' experience and management's analysis of specific promises made, collectability and historical trends in collection. All contributions are available for unrestricted use unless specifically restricted by the donor.

##### **[6] Investments:**

Investments in marketable securities with readily determinable fair values and all investments in debt and equity securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets and are net of investment expenses of \$11,204 and \$11,273 for the years ended December 31, 2016 and 2015, respectively. Upon Board approval, up to 5% of the prior year's ending investment balance can be used for general operating expenses and/or for budgeted program expenses. The Organization did not transfer any of the investment balance during either of the years ended December 31, 2016 or 2015.

##### **[7] Property and equipment and depreciation:**

Property and equipment are stated at cost less accumulated depreciation. Renewals and betterments are added to the property accounts while ordinary maintenance and repairs are expensed currently. Upon sale or retirement of an asset, the cost and related accumulated depreciation are removed from the accounts and the resultant gain or loss, if any, is included in the statements of activities and changes in net assets. Donated equipment is capitalized at its approximate fair value as of the date of the donation.

Depreciation is provided using straight-line as well as accelerated methods over the estimated useful lives of the related assets, ranging from three to thirty-nine years. Depreciation for the years ended December 31, 2016 and 2015 was \$36,593 and \$37,196, respectively.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [7] Property and equipment and depreciation (continued):

Management evaluates the recoverability of long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. Long-lived assets were tested for impairment as of December 31, 2016 and 2015, and in the opinion of management, there was no impairment. It is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

##### [8] Classification of net assets:

The Organization's net assets have been grouped into the following three classes:

- ***Unrestricted***

Unrestricted net assets are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. As of December 31, 2016 and 2015, the Board has designated \$350,000 to be used toward program activities in subsequent years.

- ***Temporarily Restricted***

Temporarily restricted net assets represent those resources that have been restricted by donors for time and specific purposes. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions.

- ***Permanently Restricted***

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

##### [9] Functional expenses:

Expenses are charged to program services based on direct expenditures incurred. Any expenditure not directly chargeable has been allocated among program and supporting services classifications on the basis of time records and estimates made by the Organization's management.

##### [10] Contributed services:

Several professional media companies donated advertising services to BBBS in connection with the 100<sup>th</sup> Anniversary Celebration. Contributed services are recorded at the fair value of the services received. Contributed services for the year ended December 31, 2015 totaled \$1,146,786. This amount is included in operating revenues and support as contributed services and fundraising expenses as in-kind advertising. The contributions of services are recognized if the services received: (a) create or enhance nonfinancial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### [11] New accounting pronouncements:

In February 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. The ASU’s core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the statement of financial condition and disclosing key information. ASU 2016-02 will be effective for fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the effect that this new guidance will have on its financial statements and related disclosures.

In August 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 amends the presentation and disclosures to help not-for-profit organizations provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. ASU 2016-14 includes qualitative and quantitative requirements in the following areas: a) net asset classes, b) investment return, c) expenses, d) liquidity and availability of resources, and e) presentation of operating cash flows. The new standard will be effective for fiscal years beginning after December 15, 2017, with early adoption permitted. Management is currently evaluating the impact of the adoption of ASU 2016-14 on its financial statements and related disclosures.

#### NOTE C - CONTRIBUTIONS, PLEDGES AND GRANTS RECEIVABLE

Contributions, pledges, and grants receivable, which are receivable in more than one year, are discounted at a risk-free rate of return, appropriate for the expected term of the promise to give, and approximate the net present value of the estimated future cash flows. In determining fair value, the Organization considers the creditworthiness of the donors, the Organization’s past collection experience and its procedures to collect promises to give.

Contributions, pledges, and grants receivable as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 1,736,612	\$ 2,041,526
One year to five years	<u>63,975</u>	<u>152,700</u>
Total receivables	<b>1,800,587</b>	2,194,226
Less total discounts to net present value	<b>1,753</b>	5,749
Less allowance for uncollectable receivables	<u>39,937</u>	<u>3,838</u>
Total net receivables	<b><u>\$ 1,758,897</u></b>	<b><u>\$ 2,184,639</u></b>

Pledges which are receivable in more than one year are discounted at a rate of 1.75% to 5%.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE D - INVESTMENTS

The Organization's investment activity for the years ended December 31, 2016 and 2015 is summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
<b>For the year ended December 31, 2016:</b>			
Balance at end of year	<u>\$ 2,715,401</u>	<u>\$ 2,935,077</u>	\$ 219,676
Balance at beginning of year	<u>\$ 2,751,776</u>	<u>\$ 2,825,722</u>	<u>73,946</u>
Increase in unrealized gain			145,730
Net realized gain for year			<u>3,542</u>
Total net gain on investments			<u>\$ 149,272</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
<b>For the year ended December 31, 2015:</b>			
Balance at end of year	<u>\$ 2,751,776</u>	<u>\$ 2,825,722</u>	\$ 73,946
Balance at beginning of year	<u>\$ 3,246,398</u>	<u>\$ 3,530,395</u>	<u>283,997</u>
Decrease in unrealized gain			(210,051)
Realized net gain for year			<u>37,177</u>
Total net loss on investments			<u>\$ (172,874)</u>

## **BIG BROTHERS BIG SISTERS INDEPENDENCE REGION**

### **Notes to Financial Statements December 31, 2016 and 2015**

#### **NOTE E - FAIR VALUE MEASUREMENTS**

In determining fair value, the Organization uses various approaches, including market, income and/or cost approaches. The Organization uses a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements), and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy and the Organization's related classification of investments are described below:

Level 1 – Values are based on unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in inactive markets, or inputs that are derived principally from or corroborated by observable market data. There were no Level 2 investments as of December 31, 2016 or 2015.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. There were no Level 3 investments as of December 31, 2016 or 2015.

The financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The valuation levels are not necessarily an indication of the risk or liquidity associated with the underlying assets and liabilities.

The following is a description of the valuation methodologies used for assets measured at fair value, which have not changed from those used as of December 31, 2015.

*Mutual funds* – Valued at the net asset value of shares held by the Organization at year-end.

*Common stocks and exchange-traded funds* – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

The following tables set forth, by level, the Organization's investment assets at fair value, within the fair value hierarchy, as of December 31, 2016 and 2015:

	Investment Assets at Fair Value as of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Common stocks:				
Energy	\$ 903	\$ -	\$ -	\$ 903
Health care	5,069	-	-	5,069
Industrials	11	-	-	11
Total common stocks	<u>5,983</u>	<u>-</u>	<u>-</u>	<u>5,983</u>
Mutual funds:				
Bond funds:				
Limited term	232,121	-	-	232,121
High yield	228,991	-	-	228,991
Foreign bonds	561,713	-	-	561,713
Equity funds:				
Strategy	131,114	-	-	131,114
International	95,059	-	-	95,059
Large growth	127,236	-	-	127,236
Total mutual funds	<u>1,376,234</u>	<u>-</u>	<u>-</u>	<u>1,376,234</u>
Exchange-traded funds:				
Emerging markets	286,689	-	-	286,689
Large value	415,947	-	-	415,947
Large core	237,701	-	-	237,701
Large growth	110,797	-	-	110,797
Energy	136,743	-	-	136,743
Financial	127,865	-	-	127,865
Health care	107,177	-	-	107,177
Technology	129,941	-	-	129,941
Total exchange-traded funds	<u>1,552,860</u>	<u>-</u>	<u>-</u>	<u>1,552,860</u>
Total investment assets at fair value	<u>\$ 2,935,077</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,935,077</u>



## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE E - FAIR VALUE MEASUREMENTS (CONTINUED)

	Investment Assets at Fair Value as of			
	December 31, 2015			
	Level 1	Level 2	Level 3	Total
Common stocks:				
Energy	\$ 52,480	\$ -	\$ -	\$ 52,480
Financial	53,329	-	-	53,329
Health care	57,636	-	-	57,636
Natural resources	59,161	-	-	59,161
Industrials	4,388	-	-	4,388
Technology industry	54,249	-	-	54,249
Total common stocks	281,243	-	-	281,243
Mutual funds:				
Bond funds:				
Global long	642,802	-	-	642,802
Limited term	220,776	-	-	220,776
High yield	215,558	-	-	215,558
Equity funds:				
Strategy	85,079	-	-	85,079
International	150,933	-	-	150,933
Large growth	117,352	-	-	117,352
Total mutual funds	1,432,500	-	-	1,432,500
Exchange-traded funds:				
Emerging markets	272,059	-	-	272,059
Income stocks	137,007	-	-	137,007
Large value	108,360	-	-	108,360
Large core	224,623	-	-	224,623
Large growth	108,576	-	-	108,576
Energy	56,694	-	-	56,694
Financial	71,045	-	-	71,045
Health care	46,592	-	-	46,592
Technology	87,023	-	-	87,023
Total exchange-traded funds	1,111,979	-	-	1,111,979
Total investment assets at fair value	\$ 2,825,722	\$ -	\$ -	\$ 2,825,722

#### Changes in fair value levels:

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2016 and 2015, there were no transfers into or out of Levels 1, 2 or 3.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE F - LINE-OF-CREDIT

The Organization has a revolving line-of-credit to finance operations, which has a maximum borrowing availability of \$500,000, and bears interest at the bank's prime rate (prime was 3.50% as of December 31, 2016). Pursuant to the agreement, the Organization must maintain an average deposit and operating balance of \$250,000. There was no outstanding balance on this line-of-credit as of December 31, 2016 or 2015. The maturity date of the line-of-credit is September 30, 2017. This obligation is secured by substantially all assets of the Organization.

#### NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets' activity for the years ended December 31, 2016 and 2015 is as follows:

	<u>Balance, January 1, 2016</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2016</u>
Time restricted	\$ 91,260	\$ 22,216	\$ 41,129	\$ 72,347
Purpose restricted	19,969	10,085	-	30,054
Purpose and time restricted	<u>451,090</u>	<u>940,670</u>	<u>684,284</u>	<u>707,476</u>
	<u>\$ 562,319</u>	<u>\$ 972,971</u>	<u>\$ 725,413</u>	<u>\$ 809,877</u>
	<u>Balance, January 1, 2015</u>	<u>Restricted Funds Received</u>	<u>Released from Restrictions</u>	<u>Balance, December 31, 2015</u>
Time restricted	\$ 44,777	\$ 59,062	\$ 12,579	\$ 91,260
Purpose restricted	19,969	-	-	19,969
Purpose and time restricted	<u>191,000</u>	<u>625,590</u>	<u>365,500</u>	<u>451,090</u>
	<u>\$ 255,746</u>	<u>\$ 684,652</u>	<u>\$ 378,079</u>	<u>\$ 562,319</u>

#### NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Big Brothers Big Sisters Independence Region received permanently restricted net assets in the amount of \$35,950 as a result of a prior merger with Montgomery County Big Brothers Big Sisters Association, Inc. The earnings on these permanently restricted net assets are used for general operations.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE I - UNCERTAINTY IN INCOME TAXES

The Internal Revenue Service has classified the Organization as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("Code"); as an organization, contributions to which are deductible under Section 170(c) of the Code; and as an organization that is not a private foundation as defined in Section 509(a) of the Code.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability, if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by a government authority. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2016 and 2015, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization recognizes accrued interest and penalties associated with uncertain tax positions, if any, as part of management and general expenses. There were no income tax related interest and penalties recorded for either of the years ended December 31, 2016 or 2015.

#### NOTE J - LEASE OBLIGATIONS

The Organization leases its facilities under operating leases with various terms expiring through 2023. Payments range from approximately \$1,000 per month to approximately \$23,000 per month over the terms of the leases. Rental expense for the years ended December 31, 2016 and 2015 was \$373,243 and \$291,350, respectively. Scheduled future minimum lease payments for leases with terms in excess of one year as of December 31, 2016 are as follows:

<u>Year Ending December 31</u>	
2017	\$ 258,454
2018	255,327
2019	258,356
2020	263,873
2021	269,389
Thereafter	<u>320,877</u>
	<u>\$ 1,626,276</u>

The Organization has obtained a bank letter-of-credit in the amount of \$100,000 in support of a lease for office space. This letter-of-credit expires on February 17, 2018 and is in favor of the Organization's landlord.

#### NOTE K - RETIREMENT PLAN

The Organization has a 403(b) defined-contribution retirement plan that covers all eligible employees. Employees may contribute to a voluntary tax-deferred annuity program up to the amount allowed by the Code. The Organization contributed \$18,606 and \$5,024 in matching contributions for the years ended December 31, 2016 and 2015, respectively.

## BIG BROTHERS BIG SISTERS INDEPENDENCE REGION

### Notes to Financial Statements December 31, 2016 and 2015

#### NOTE L - FUNCTIONALIZED EXPENSE CLASSIFICATIONS

During each fiscal year, the Organization's expenses, as reported on a functional basis, were as follows:

	<u>2016</u>	<u>2015</u>
Program services:		
Mentoring	<b>\$ 4,390,560</b>	\$ 4,198,861
Mentoring Resource Center	<b>185,411</b>	102,045
	<u>4,575,971</u>	<u>4,300,906</u>
Total program services	<b>4,575,971</b>	4,300,906
Management and general	<b>567,531</b>	627,413
Fundraising (includes direct benefit to donors of \$247,520 in 2016 and \$685,671 in 2015)	<b>1,379,491</b>	2,944,832
	<u>1,379,491</u>	<u>2,944,832</u>
	<b><u>\$ 6,522,993</u></b>	<b><u>\$ 7,873,151</u></b>

#### NOTE M - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 29, 2017, which is the date the financial statements were available to be issued.

**REPORTING REQUIREMENTS FOR  
GOVERNMENT AUDITING STANDARDS**



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Big Brothers Big Sisters Independence Region

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Big Brothers Big Sisters Independence Region, which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Big Brothers Big Sisters Independence Region's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters Independence Region's internal control. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters Independence Region's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Big Brothers Big Sisters Independence Region's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters Independence Region's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Brothers Big Sisters Independence Region's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters Independence Region's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "EisnerAmper LLP". The signature is written in a cursive, flowing style.

Philadelphia, Pennsylvania  
March 29, 2017



# OUR IMPACT

## OUR VISION:

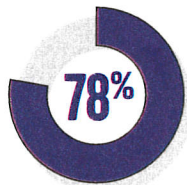
All children to achieve success in life.

## OUR MISSION:

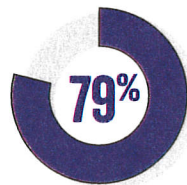
To provide children facing adversity with strong and enduring, professionally supported one-to-one mentoring relationships that change their lives for the better, forever.

## MENTORS MAKE A DIFFERENCE:

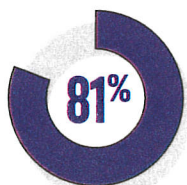
Last year, of children in our program for 12 months or more...



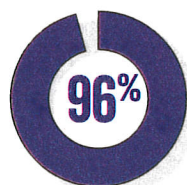
Improved their behavior



Improved their outlook on the future



Improved their self-confidence



Advanced to the next grade

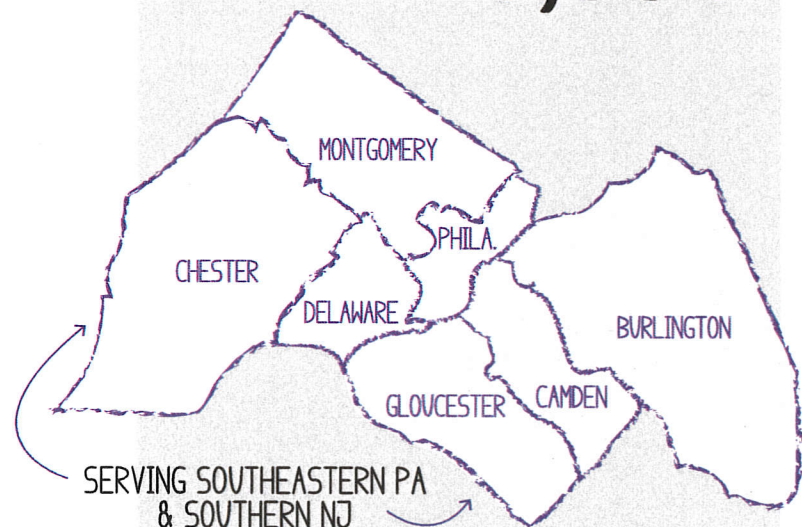
Source: 2016 Parent/Guardian Surveys

## IN 2016, IN SOUTHEASTERN PA & SOUTHERN NJ...

# 1,208

 NEW MENTORING MATCHES MADE

# TOTAL NUMBER CHILDREN SERVED 3,564



Source: 2016 Year-End Demographics Report

## SNAPSHOT OF ACHIEVEMENTS:

- ▶ **Rated a Four Star Charity** by Charity Navigator (*the nation's largest and most utilized charity evaluator*)
- ▶ **2<sup>nd</sup> largest** of more than 300 Big Brothers Big Sisters agencies nationwide
- ▶ **Gold Standard Award** for Top Performing Agencies in the Nation
- ▶ **240,000 children and mentors** impacted since 1915
- ▶ **2014 Whitney M. Young Award** by the Urban League of Philadelphia





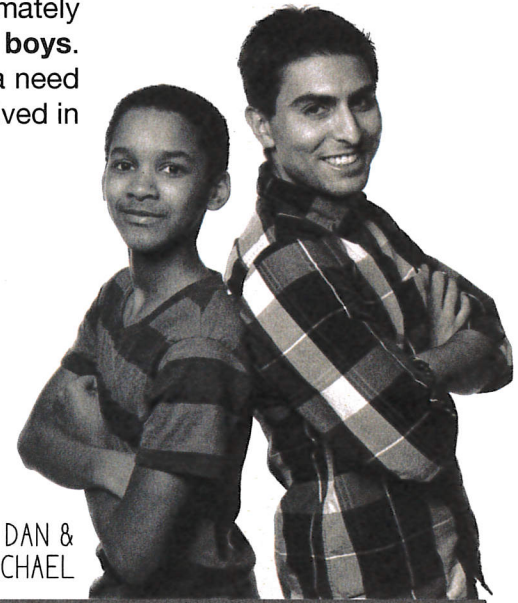
# OUR IMPACT

## THE NEED FOR VOLUNTEERS:

Changing the course of just one life can have a significant positive impact on the community. Big Brothers Big Sisters Independence Region has approximately **1,200 children in our waiting pool, the majority being young boys.** Consequently, there is a high demand for more male volunteers. We have a need for female volunteers willing to mentor girls living in targeted areas and involved in special programs.

### A “BIG BROTHER” OR “BIG SISTER” IS AN ADULT WHO:

- ▶ Enjoys meeting new people and making friends
- ▶ Loves to have fun and laugh
- ▶ Wants to share their own life and work experiences
- ▶ Is supportive and encouraging
- ▶ Is willing to spend time with a young person
- ▶ Is someone like you!



BIG BROTHER DAN & LITTLE BROTHER MICHAEL

## THE CHILDREN WE SERVE:

Children with mentors in our program are **proven to achieve measurable outcomes, like educational success, avoidance of risky behaviors, higher aspirations, greater confidence and better relationships.**

### A “LITTLE BROTHER” OR “LITTLE SISTER” IS A CHILD OR YOUTH WHO:

- ▶ Is 7+ years of age
- ▶ Comes from a variety of backgrounds and life experiences
- ▶ Faces varying levels of adversity, due to economic and academic inequities
- ▶ Lives in our service area: Chester, Delaware, Montgomery and Philadelphia Counties in PA and Burlington, Camden and Gloucester Counties in NJ
- ▶ Wants a Big Brother or Big Sister to help navigate the various challenges of growing up in the world today

## OUR MENTORING PROGRAMS:

Our proven mentoring approach – which involves recruiting, screening, interviewing, training, matching, supporting and evaluating – is a top model for improving children’s lives and futures.

### COMMUNITY-BASED MENTORING:

Volunteer mentors and their mentees meet 2 -4 times a month on weekends or after school to do things they both enjoy, like play sports, cook or just talk.

### SITE-BASED MENTORING:

Volunteers mentor school students during the school day at their school or a corporate office weekly or bi-weekly throughout the school year.

# MAKE IT BIG.