

**BIG BROTHERS BIG SISTERS OF
THE TRIANGLE, INC.**

FINANCIAL STATEMENTS

for the year ended December 31, 2016

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

INDEX TO FINANCIAL STATEMENTS

	<u>Page(s)</u>
Independent Auditor's Report	1 – 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12



Langdon & Company ^{LLP}

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers Big Sisters of the Triangle, Inc.

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Triangle, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 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.

223 Highway 70, East Pointe, Suite 100, Garner, NC 27529

P: 919-662-1001 | F: 919-662-1002 | www.langdoncpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Triangle, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2015 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dan Gannon & Company LLP

Garner, North Carolina
July 10, 2017

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2016
with comparative totals as of December 31, 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 20,373	\$ 12,172
Unconditional promises to give	307,148	165,799
Other receivables	1,823	1,161
Prepaid expenses	2,645	2,785
Security deposit	8,310	8,310
Total current assets	<u>340,299</u>	<u>190,227</u>
Furniture and equipment	109,988	130,475
Less accumulated depreciation	<u>79,220</u>	<u>96,011</u>
	<u>30,768</u>	<u>34,464</u>
Other assets:		
Unconditional promises to give in one to five years	117,500	-
Beneficial interest in Brenda Boyd Big Brothers Big Sisters Scholarship Fund held by Triangle Community Foundation	12,982	12,241
Restricted investments - Brenda Boyd Big Brothers Big Sisters Scholarship Fund	<u>1,260</u>	<u>1,260</u>
Total other assets	<u>131,742</u>	<u>13,501</u>
Total assets	<u>\$ 502,809</u>	<u>\$ 238,192</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Line of credit	\$ 17,398	\$ 49,982
Accounts payable and accrued expenses	25,630	49,661
Deferred rent expense	54,528	66,432
Current maturities of long-term debt	<u>10,110</u>	<u>9,690</u>
Total current liabilities	<u>107,666</u>	<u>175,765</u>
Long-term debt, less current maturities	<u>18,676</u>	<u>28,768</u>
Total liabilities	<u>126,342</u>	<u>204,533</u>
Net assets:		
Unrestricted	112,611	4,434
Temporarily restricted	<u>263,856</u>	<u>29,225</u>
Total net assets	<u>376,467</u>	<u>33,659</u>
Total liabilities and net assets	<u>\$ 502,809</u>	<u>\$ 238,192</u>

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

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

STATEMENT OF ACTIVITIES

**for the year ended December 31, 2016
with comparative totals for 2015**

	2016			2015
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$ 248,326	\$ -	\$ 248,326	\$ 327,235
Fundraising	230,626	-	230,626	257,426
Grants	284,072	437,692	721,764	253,018
In-kind contributions	34,446	-	34,446	33,496
Investment income (loss)	1,041	-	1,041	(1,028)
Miscellaneous	6,396	-	6,396	3,487
	804,907	437,692	1,242,599	873,634
Net assets released from restrictions	203,061	(203,061)	-	-
	1,007,968	234,631	1,242,599	873,634
Expenses:				
Program services	712,014	-	712,014	675,930
Management & general	67,462	-	67,462	75,633
Fundraising	120,315	-	120,315	156,971
Total expenses	899,791	-	899,791	908,534
Change in net assets	108,177	234,631	342,808	(34,900)
Net assets at beginning of year,	4,434	29,225	33,659	68,559
Net assets at end of year	\$ 112,611	\$ 263,856	\$ 376,467	\$ 33,659

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

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**for the year ended December 31, 2016
with comparative totals for 2015**

	2016				2015
	Program Services	Management and General	Fundraising	Grand Total	Grand Total
Salaries, payroll taxes and benefits	\$ 490,876	\$ 30,327	\$ 63,719	\$ 584,922	\$ 612,946
Activities expense	20,995	-	-	20,995	9,638
Interest expense	2,380	680	500	3,560	4,846
Bank service charges	4,500	437	436	5,373	3,409
Conferences	2,999	-	408	3,407	4,674
Bad debt expense	-	6,851	-	6,851	23,209
In-kind donations	29,706	2,370	2,370	34,446	33,496
Dues and subscriptions	12,266	-	1,331	13,597	12,084
Equipment expense	4,789	326	326	5,441	6,349
Fundraising expense	-	-	40,862	40,862	50,230
Gifts and awards	3,497	-	-	3,497	1,145
Insurance	9,500	823	823	11,146	8,654
Meetings	636	636	635	1,907	857
Office supplies	2,800	200	421	3,421	1,868
Postage and delivery	400	30	43	473	1,355
Printing and reproduction	3,256	344	1,600	5,200	3,265
Professional fees	13,250	18,242	-	31,492	18,524
Rent	61,315	4,089	4,277	69,681	67,539
Technology	7,901	350	350	8,601	7,938
Telephone	9,798	525	520	10,843	9,644
Travel and entertainment	2,447	149	456	3,052	2,196
Depreciation	18,585	700	800	20,085	24,668
Loss on disposal of equipment	10,118	383	438	10,939	-
Total expenses	<u>\$ 712,014</u>	<u>\$ 67,462</u>	<u>\$ 120,315</u>	<u>\$ 899,791</u>	<u>\$ 908,534</u>

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

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

STATEMENT OF CASH FLOWS

**for the year ended December 31, 2016
with comparative totals for 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and service recipients	\$ 953,351	\$ 790,145
Cash paid to suppliers and employees	(890,645)	(804,875)
Interest received	475	211
Interest paid	(3,560)	(4,846)
Net cash provided by (used in) operating activities	59,621	(19,365)
Cash flows from investing activities:		
Purchases of investments, net of expenses	(175)	(106)
Purchases of furniture and equipment	(9,004)	-
Proceeds from sale of investments	-	15,000
Net cash (used in) provided by investing activities	(9,179)	14,894
Cash flows from financing activities:		
Proceeds from line of credit	-	1,000
Payments on line of credit	(32,582)	(997)
Payments on notes payable	(9,659)	(9,257)
Net cash used in financing activities	(42,241)	(9,254)
Net increase (decrease) in cash	8,201	(13,725)
Cash at beginning of year	12,172	25,897
Cash at end of year	\$ 20,373	\$ 12,172
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ 342,808	\$ (34,900)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	20,085	24,668
Bad debt	6,851	23,209
Loss on disposal of assets	10,939	1,525
Net (gains) losses on investments	(566)	1,239
Changes in assets and liabilities:		
Unconditional promises to give	(265,700)	(52,546)
Other receivables	(662)	1,482
Prepaid expenses	140	(264)
Accounts payable and accrued expenses	(42,370)	26,198
Deferred rent expense	(11,904)	(9,976)
Net cash provided by (used in) operating activities	\$ 59,621	\$ (19,365)

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

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of the Triangle, Inc. (the “Organization”) is a nonprofit corporation organized under the laws of the state of North Carolina. The Organization’s purpose is to provide wholesome relationships for children primarily of single parent homes in need of a secondary, adult role model. Under the direction of the Organization, the volunteers will help provide companionship and guidance; moral, psychological, and intellectual support; and general recreational activity. The Organization is supported primarily through donor contributions, grants, and fundraising. The Organization operates out of one location in Morrisville, North Carolina.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents. The Organization maintains its cash accounts with various financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Purchases of \$500 or more are capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 – 7 years.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Gains and losses are included in the change in net assets.

Contributions and Grants

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Organization reports contributions with donor-imposed restrictions that are met in the same accounting period as unrestricted support.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and Grants (Continued)

The Organization performs an evaluation of the collectability of unconditional promises to give and records an allowance for doubtful accounts. Unconditional promises to give are written off after collection efforts have been pursued in accordance with the Organization's policies and procedures. Included in unconditional promises to give on the Statement of Financial Position at December 31, 2016 and 2015 is \$285,424 and \$37,482 of grants receivable, respectively. Additionally, 61% of unconditional promises to give at December 31, 2016 is due from one grantor. Further, approximately 30% of total public support and revenue at December 31, 2016 is from that same grantor.

Donated Assets and Services

In-kind contributions of services, materials, or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of the donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Volunteers and members of the community perform various services for the Organization, and these services are significant and form an integral part of the efforts of the Organization. The Organization does not control the activities of the volunteers as it would paid employees, and there is not a clear measurable basis for an amount of contributed services rendered as a contribution and a corresponding amount as an expense. During the years ended December 31, 2016 and 2015, the Organization received approximately 182,300 and 201,000 volunteer hours, respectively.

Functional Classification of Expense

Expenditures not directly attributable to specific programs or support services are allocated to program or supporting services by the Organization's management based on what it considers to be the best available objective criteria, such as hours worked or relative benefit.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. During the years ended December 31, 2016 and 2015, the Organization did not have income subject to taxation as unrelated business income.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of December 31, 2016 or 2015.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

1. OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 estimates.

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are summarized as follows:

	<u>2016</u>	<u>2015</u>
Unconditional promises to give in less than one year	\$ 307,148	\$ 165,799
Unconditional promises to give in greater than one year	\$ 117,500	\$ -

3. INVESTMENTS

Investments included in other assets on the statement of financial position, consists of the Organization's Brenda Boyd Big Brothers Big Sisters Scholarship Fund. The investments are managed by the Triangle Community Foundation ("Foundation"). The Organization's assets are invested in various portfolios that include a number of blended equity and fixed income asset classes managed by the Foundation. The investments have not been segregated by type because none of the investments are individually held by the Organization.

Fair values and unrealized depreciation at December 31, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Fair Value	\$ 14,242	\$ 13,501
Cost	14,788	14,957
Unrealized depreciation	\$ (546)	\$ (1,456)

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS (Continued)

Investment income consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 175	\$ 211
Net gains (losses)	866	(1,239)
	\$ 1,041	\$ (1,028)

4. LINE OF CREDIT

The Organization has a \$50,000 line of credit with a local bank which is collateralized by all accounts, including receivables and equipment, and all proceeds and products of the foregoing and expires on September 10, 2017. Interest is due monthly at the bank's prime rate (3.75% at December 31, 2016) with a minimum of 4.25%. Principle and remaining interest are due at maturity. A total of \$17,398 and \$49,982 was outstanding at December 31, 2016 and 2015, respectively.

5. LONG-TERM DEBT

Long-term debt at December 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
Note payable in monthly installments of \$928 including interest at a variable rate of Prime with a minimum rate of 4.25%; a final payment due September 10, 2019; collateralized by all accounts, including receivables, equipment, and all related proceeds and products of the foregoing.	\$ 28,786	\$ 38,458
Less current maturities	10,110	9,690
	\$ 18,676	\$ 28,768

Future maturities of long-term debt at December 31, 2016 are as follows:

<u>Year ending December 31,</u>	
2017	\$ 10,110
2018	10,549
2019	8,127
	\$ 28,786

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

6. OPERATING LEASE

The Organization leases office space under a non-cancellable lease agreement, which expires on June 30, 2020. The Organization records rent expense for this lease, which has escalating rent payments over the term of the lease, on a straight-line basis over the effective lease term. The Organization accounts for the difference between rent expense and rent paid as deferred rent expense. For tenant lease incentives, the Organization records a deferred rent liability at the inception of the lease term and amortizes the deferred rent over the term of the lease as a reduction to rent.

Rent expense for the years ended December 31, 2016 and 2015, was \$69,681 and \$67,539, respectively.

Minimum future lease payments are as follows:

<u>Year ending December 31,</u>		
2017	\$	81,025
2018		83,050
2019		85,127
2020		43,089
		43,089
	\$	292,291

7. FAIR VALUE MEASUREMENTS

Fair values for assets measured on a recurring basis at December 31, 2016 and 2015 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>December 31, 2016</u>				
Investments - Triangle				
Community Foundation	\$ 14,242	\$ -	\$ 14,242	\$ -
<u>December 31, 2015</u>				
Investments - Triangle				
Community Foundation	\$ 13,501	\$ -	\$ 13,501	\$ -

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in level 1. The Organization considers its investments held at Triangle Community Foundation to be level 2 because they are invested in various portfolios managed by the Foundation and not individually held by the Organization. Level 3 inputs are unobservable, and apply only when there is little or no market activity for the asset or liability. There were no changes in the valuation techniques during the current year.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

7. FAIR VALUE MEASUREMENTS (Continued)

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between levels during the years ended December 31, 2016 and 2015.

8. RELATED PARTY TRANSACTIONS

The Organization has a contract with an IT support franchise owned by a member of its board of directors. Total payments made during 2016 and 2015 totaled approximately \$19,232 and \$8,339, respectively.

During 2015, a director advanced the Organization \$7,450. Amounts due to the director at December 31, 2016 and 2015 were \$0 and \$3,450, respectively.

During 2016, an employee of the Organization purchased computers on behalf of the Organization. As of December 31, 2016, \$18,339 was recorded in furniture and equipment and accounts payable and accrued expenses on the accompanying statement of financial position.

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Scholarships	\$ 1,260	\$ 1,260
Mentoring children of prisoners	235,000	-
Program services in subsequent years	27,596	27,965
Total restricted net assets	<u>\$ 263,856</u>	<u>\$ 29,225</u>

Net assets released from donor restrictions by accomplishing purpose and/or time restrictions was \$203,061 and \$22,144 for the year ended December 31, 2016 and 2015, respectively.

10. UNRESTRICTED NET ASSETS DESIGNATIONS

The Organization's board of directors has chosen to place the following designations on unrestricted net assets:

	<u>2016</u>	<u>2015</u>
Designated - beneficial interest in Brenda		
Boyd Big Brothers Big Sisters Scholarship Fund	\$ 12,982	\$ 12,241
Undesignated	99,629	(7,807)
Total unrestricted net assets	<u>\$ 112,611</u>	<u>\$ 4,434</u>

11. SUBSEQUENT EVENTS

On March 31, 2017, the Organization paid off their line of credit. As of the date of issuance, July 10, 2017, the line of credit balance remained at \$0.

Management has evaluated subsequent events through July 10, 2017, the date which the financial statements were available for issue.