

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

FINANCIAL STATEMENTS

for the year ended December 31, 2018

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

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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, 2018, 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.

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Opinion

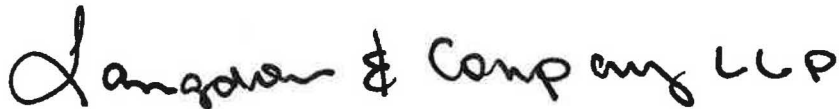
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Triangle, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Organization adopted ASU 2016-14, Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Organization's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Langston & Company LLP". The signature is written in a cursive, flowing style.

Garner, North Carolina
July 15, 2019

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2018
with comparative totals as of December 31, 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 304,415	\$ 74,910
Unconditional promises to give	293,838	507,171
Other receivables	2,680	2,565
Prepaid expenses	2,355	3,160
Security deposit	8,310	8,310
Total current assets	<u>611,598</u>	<u>596,116</u>
Website	7,250	7,250
Furniture and equipment	119,266	113,067
	126,516	120,317
Less accumulated depreciation and amortization	<u>99,468</u>	<u>88,893</u>
	27,048	31,424
Other assets:		
Beneficial interest in Brenda Boyd Big Brothers Big Sisters Scholarship Fund held by Triangle Community Foundation	15,254	15,984
Beneficial interest in BBBST Endowment held by Triangle Community Foundation	171,526	5,000
Restricted receivables - BBBST Endowment	40,000	215,000
Restricted cash - BBBST Endowment	-	5,000
Total other assets	<u>226,780</u>	<u>240,984</u>
Total assets	<u>\$ 865,426</u>	<u>\$ 868,524</u>

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,414	\$ 5,891
Deferred rent expense	24,742	40,648
Current maturities of long-term debt	7,162	10,549
Current maturities of capital lease obligations	1,110	-
Total current liabilities	<u>34,428</u>	<u>57,088</u>
Long-term debt, less current maturities	-	7,820
Capital lease obligations, less current maturities	4,499	-
Total long-term liabilities	<u>4,499</u>	<u>7,820</u>
Net assets:		
Without Donor Restrictions		
Undesignated	528,552	308,632
Designated - Brenda Boyd Big Brothers Big Sisters Scholarship Fund held by Triangle Community Foundation	13,994	14,724
	<u>542,546</u>	<u>323,356</u>
With Donor Restrictions		
Purpose and time restricted	72,427	255,260
Perpetual in nature	225,000	225,000
Accumulated losses on endowment funds	(13,474)	-
	<u>283,953</u>	<u>480,260</u>
Total net assets	<u>826,499</u>	<u>803,616</u>
Total liabilities and net assets	<u>\$ 865,426</u>	<u>\$ 868,524</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, 2018
with comparative totals for 2017**

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Public support and revenue:				
Contributions	\$ 190,279	\$ -	\$ 190,279	\$ 426,578
Grants	444,560	35,000	479,560	637,676
Special events:				
Special event revenue	213,737	-	213,737	244,720
Less: direct expenses	(49,408)		(49,408)	(50,757)
In-kind contributions	27,306	-	27,306	30,574
Change in fair value of beneficial interest assets	852	(13,474)	(12,622)	2,042
Miscellaneous	4,167	-	4,167	6,356
Total public support and revenue	831,493	21,526	853,019	1,297,189
Net assets released from restrictions	217,833	(217,833)	-	-
Total public support and revenue	1,049,326	(196,307)	853,019	1,297,189
Expenses:				
Program services	666,480	-	666,480	719,285
Management & general	72,698	-	72,698	58,645
Fundraising	90,958	-	90,958	92,110
Total expenses	830,136	-	830,136	870,040
Change in net assets	219,190	(196,307)	22,883	427,149
Net assets at beginning of year	323,356	480,260	803,616	376,467
Net assets at end of year	\$ 542,546	\$ 283,953	\$ 826,499	\$ 803,616

*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, 2018
with comparative totals for 2017**

	2018			2017	
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Grand Total</u>	<u>Grand Total</u>
Salaries, payroll taxes and benefits	\$ 475,407	\$ 31,334	\$ 79,320	\$ 586,061	\$ 632,094
Activities expense	10,963	-	-	10,963	15,878
Interest expense	542	250	44	836	1,045
Bank service charges	5,247	427	427	6,101	5,191
Conferences	9,347	1,429	-	10,776	7,892
Bad debt expense	-	935	-	935	590
In-kind donations	24,477	1,415	1,415	27,307	30,574
Dues and subscriptions	11,697	177	1,214	13,088	10,630
Equipment expense	4,510	367	367	5,244	6,789
Gifts and awards	801	-	-	801	1,934
Insurance	7,894	643	643	9,180	8,735
Meetings	422	3,380	408	4,210	2,725
Office supplies	1,531	125	125	1,781	2,700
Postage and delivery	553	44	31	628	558
Printing and reproduction	2,604	-	241	2,845	3,300
Professional fees	20,510	25,854	-	46,364	37,426
Rent	58,199	4,737	4,737	67,673	67,140
Technology	7,269	592	592	8,453	10,171
Telephone	12,102	672	672	13,446	10,719
Travel and entertainment	2,676	-	193	2,869	4,151
Depreciation and amortization	9,729	317	529	10,575	9,798
Total expenses	\$ 666,480	\$ 72,698	\$ 90,958	\$ 830,136	\$ 870,040

*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, 2018
with comparative totals for 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from contributors, grantors and service recipients	\$ 1,100,141	\$ 1,008,033
Cash paid to suppliers and employees	(859,584)	(913,667)
Interest received	1,582	521
Interest paid	(837)	(1,045)
Net cash provided by operating activities	<u>241,302</u>	<u>93,842</u>
Cash flows from investing activities:		
Transfer to Triangle Community Foundation	(180,000)	(5,221)
Purchases of furniture and equipment	-	(11,269)
Net cash used in investing activities	<u>(180,000)</u>	<u>(16,490)</u>
Cash flows from financing activities:		
Long-term contributions restricted for endowment	175,000	10,000
Payments on line of credit	-	(17,398)
Payments on notes payable	(11,797)	(10,417)
Net cash provided by (used in) financing activities	<u>163,203</u>	<u>(17,815)</u>
Net increase in cash	224,505	59,537
Cash at beginning of year	79,910	20,373
Cash at end of year	<u>\$ 304,415</u>	<u>\$ 79,910</u>
Supplemental disclosure of noncash investing and financing activities:		
Acquisition of equipment under capital lease	<u>\$ 6,199</u>	<u>\$ -</u>

*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.

Contributions and Grants

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor-imposed 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, net assets with donor restrictions are reclassified to net assets without donor restrictions 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 net assets without donor restriction 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, 2018 and 2017 is \$155,341 and \$352,038 of grants receivable, respectively. Additionally, 28% and 37% of unconditional promises to give is due from one donor at December 31, 2018 and 2017, respectively.

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, 2018 and 2017, the Organization received approximately 87,400 and 113,954 volunteer hours, respectively.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. As discussed in Note 12, the governing board has designated, from net assets without donor restrictions, net assets for beneficial interest in the Brenda Boyd Big Brothers Big Sisters Scholarship Fund.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Functional Classification of Expense

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

All expenses except for activities expense and bad debt are allocated on the basis of estimates of time and effort.

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, 2018 and 2017, 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, 2018 or 2017.

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, 2017, from which the summarized information was derived.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

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

Reclassifications

Certain items included in the 2017 financial statements have been reclassified to conform to the 2018 presentation. Change in net assets of the Organization previously reported for 2017 was not affected by these reclassifications.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly.

2. LIQUIDITY AND AVAILABILITY

The Organization is partially supported by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. The Organization considers all expenditures related to its ongoing activities to support the mission to be general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2018</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 304,415
Unconditional promises to give	293,838
Other receivables	2,680
	<u>600,933</u>
Less amounts not available to be used within one year, due to:	
Donor restricted for purpose or time	<u>72,427</u>
Financial assets available to meet general expenditures within one year	<u>\$ 528,506</u>

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

3. 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, 2019. Interest is due monthly at the bank's prime rate (5.50% and 4.50% at December 31, 2018 and 2017, respectively) with a minimum of 4.25%. Principle and remaining interest are due at maturity. There was no outstanding balance at December 31, 2018 and 2017.

4. LONG-TERM DEBT

Long-term debt at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</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.	\$ 7,162	\$ 18,369
Less current maturities	<u>7,162</u>	<u>10,549</u>
	<u>\$ -</u>	<u>\$ 7,820</u>

5. LEASES

The Organization leases a copier under a capital lease agreement expiring in 2022. The asset is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lesser of its related lease term or its estimated productive life. Amortization of the asset under the capital lease was \$620 for the year ended December 31, 2018.

Equipment held under capital lease and the related accumulated amortization is as follows:

	<u>2018</u>
Equipment	\$ 6,199
Less accumulated amortization	<u>620</u>
	<u>\$ 5,579</u>

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

5. LEASES (Continued)

Future minimum lease payments under the capital lease is as follows:

Year ending December 31,

2019	\$	2,495
2020		2,495
2021		2,495
2022		1,247
Total minimum lease payments		8,732
Less amount representing interest		3,123
Present value of net minimum capital lease payments		5,609
Less current maturities		1,110
Obligation under capital lease less current maturities	\$	4,499

The Organization also leases office space under a non-cancellable operating 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, 2018 and 2017, was \$67,673 and \$67,140, respectively.

Future minimum lease payments under the non-cancellable operating is as follows:

Year ending December 31,

2019	\$	85,127
2020		43,089
		\$ 128,216

6. FAIR VALUE INVESTMENTS

Fair values for assets measured on a recurring basis at December 31, 2018 and 2017 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, 2018</u>				
Beneficial Interest held at Triangle Community Foundation	\$ 186,780	\$ -	\$ 186,780	\$ -
<u>December 31, 2017</u>				
Beneficial Interest held at Triangle Community Foundation	\$ 20,984	\$ -	\$ 20,984	\$ -

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

6. FAIR VALUE INVESTMENTS (Continued)

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.

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, 2018 and 2017.

7. BENEFICIAL INTEREST IN ASSETS HELD BY TRIANGLE COMMUNITY FOUNDATION

Brenda Boyd Big Brothers Big Sisters Scholarship Fund

During 2014, the Organization established a non-endowed fund at Triangle Community Foundation known as the Brenda Boyd Big Brothers Big Sisters Scholarship Fund. The fund is held and invested by the Foundation for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

BBBST Endowment

During 2018, the Organization established an endowment fund that is perpetual in nature at Triangle Community Foundation. The Organization granted variance power to Triangle Community Foundation, which allows the Foundation to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the Foundation for our benefit and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

The endowment was established for the support of the mission of the Organization. The endowment includes one donor-restricted endowment fund, the BBBST Endowment Fund. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted SPMIFA 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. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

7. BENEFICIAL INTEREST IN ASSETS HELD BY TRIANGLE COMMUNITY FOUNDATION (Continued)

We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

Triangle Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Spending Policy

Under Triangle Community Foundation's spending policy, a percentage of the Fund, currently 5% annually, is available for distribution in accordance to the Organization's purposes. The spending allocation is calculated on the average balance of the Fund over 13 trailing quarters or such shorter period of time as the Fund has been in existence. The Foundation Board of Directors exercise final approval of distributions from the Fund by vote at its quarterly board meetings.

Strategies Employed for Achieving Objectives

While the investment of Organization funds may vary according to their purpose and restrictions, certain general principals shall govern the investment of all Organization funds, as follows: only those costs that are appropriate and reasonable under the circumstances shall be incurred in the management of Organization funds; reasonable effort shall be made to verify the facts relevant to all investments; and one or more funds of the Organization may be pooled for investment purposes.

Endowment net asset composition as of December 31, 2018 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Endowment Assets</u>
December 31, 2018			
BBBST Endowment Fund			
Original donor-restricted gifts in perpetuity	\$ -	\$ 225,000	\$ 225,000
Accumulated investment losses	-	(13,474)	(13,474)
Total	<u>\$ -</u>	<u>\$ 211,526</u>	<u>\$ 211,526</u>

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

7. BENEFICIAL INTEREST IN ASSETS HELD BY TRIANGLE COMMUNITY FOUNDATION (Continued)

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that SPMIFA requires to retain as a fund of perpetual duration. At December 31, 2018, funds with original gift values of \$185,000, fair values of \$171,526, and deficiencies of \$13,474 were reported in net assets with donor restrictions.

The changes in endowment net assets for the year ended December 31, 2018 and 2017 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, December 31, 2016	\$ -	\$ -	\$ -
Contributions	-	225,000	225,000
Endowment Net Assets, December 31, 2017	-	225,000	225,000
Contributions	-	-	-
Change in fair value of beneficial interest assets		(13,474)	(13,474)
Amounts appropriated for expenditure	-	-	-
Endowment Net Assets, December 31, 2018	\$ -	\$ 211,526	\$ 211,526

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 2017 totaled approximately \$16,717.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are available for the following purposes or periods of time:

	2018	2017
Scholarships	\$ 1,260	\$ 1,260
Mentoring children of prisoners	-	118,000
SMART Saturday Academy	19,167	-
2019 National Conference	10,000	-
2018 National Conference	-	10,000
Program services in subsequent years	42,000	126,000
Perpetual endowment	211,526	225,000
Total net assets with donor restrictions	\$ 283,953	\$ 480,260

BIG BROTHERS BIG SISTERS OF THE TRIANGLE, INC.

NOTES TO FINANCIAL STATEMENTS

9. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors as follows for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Mentoring children of prisoners	118,000	117,000
SMART Saturday Academy	5,833	-
2018 National Conference	10,000	-
Program services in subsequent years	84,000	69,596
Total net assets released from restrictions	<u>\$ 217,833</u>	<u>\$ 186,596</u>

10. BOARD DESIGNATION

The Organization's governing board has designated, from net assets without donor restrictions, \$13,994 and \$14,724 at December 31, 2018 and 2017, respectively, for the Brenda Boyd Big Brothers Big Sisters Scholarship Fund.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 15, 2019, the date which the financial statements were available for issue.