

Big Brothers Big Sisters of Colorado, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2017 and 2016

Big Brothers Big Sisters of Colorado, Inc.
September 30, 2017 and 2016

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Independent Auditor's Report

Board of Directors
Big Brothers Big Sisters of Colorado, Inc.
Denver, Colorado

We have audited the accompanying financial statements of Big Brothers Big Sisters of Colorado, Inc. (the Organization), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, cash flows and functional expenses 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.

Board of Directors
Big Brothers Big Sisters of Colorado, Inc.

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 Colorado, Inc. as of September 30, 2017, and the change 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.

Emphasis of Matter

The Organization changed its fiscal year-end from December 31 to September 30, effective September 30, 2016. These financial statements are for the twelve months ended September 30, 2017 and the nine month period ended September 30, 2016, respectively.

Report on Summarized Comparative Information

We have previously audited the September 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the nine months ended September 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BKD, LLP

Denver, Colorado
January 23, 2018

Big Brothers Big Sisters of Colorado, Inc.
Statement of Financial Position
September 30, 2017
(With Comparative Totals for the Nine Months Ended September 30, 2016)

Assets

	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents	\$ 1,174,145	\$ 1,137,011
Certificates of deposit	50,205	50,029
Government contracts receivable, net of allowance for doubtful accounts: 2017 and 2016 – \$0	197,590	103,308
Contributions receivable, net	395,766	376,083
Prepaid expenses and other	<u>154,761</u>	<u>188,325</u>
Total current assets	1,972,467	1,854,756
Contributions receivable	192,500	100,000
Investments	664,806	608,057
Property and equipment, net	<u>189,652</u>	<u>87,384</u>
Total assets	<u>\$ 3,019,425</u>	<u>\$ 2,650,197</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 46,667	\$ 41,993
Accrued vacation	51,058	58,702
Accrued benefits payable	113,898	114,596
Rent payable	<u>72,354</u>	<u>2,548</u>
Total current liabilities	<u>283,977</u>	<u>217,839</u>
Net Assets		
Unrestricted	457,416	302,605
Board-designated – operating reserve	1,200,372	1,219,521
Board-designated – Muns	<u>152,555</u>	<u>139,519</u>
Total unrestricted	1,810,343	1,661,645
Temporarily restricted	583,871	429,479
Permanently restricted	<u>341,234</u>	<u>341,234</u>
Total net assets	<u>2,735,448</u>	<u>2,432,358</u>
Total liabilities and net assets	<u>\$ 3,019,425</u>	<u>\$ 2,650,197</u>

Big Brothers Big Sisters of Colorado, Inc.
Statement of Activities
Year Ended September 30, 2017
(With Comparative Totals for Nine Months Ended September 30, 2016)

	2017			2016	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and Revenue					
Corporations	\$ 439,696	\$ 16,950	\$ -	\$ 456,646	\$ 191,590
United Way	206,217	172,540	-	378,757	256,099
Foundations and grants	534,435	120,000	-	654,435	523,170
Government contracts	299,270	-	-	299,270	370,505
Individuals	561,616	177,167	-	738,783	115,984
Planned giving	202,400	-	-	202,400	4,965
National affiliation	231,211	-	-	231,211	59,105
Related party	152	-	-	152	-
Special events	883,785	-	-	883,785	628,778
Less: Special event direct expenses	(252,661)	-	-	(252,661)	(179,304)
Investment return	24,061	43,713	-	67,774	37,567
In-kind donations and contributed services	234,411	-	-	234,411	250,218
Other	42,278	-	-	42,278	29,589
Net assets released from restrictions	375,978	(375,978)	-	-	-
	<u>3,782,849</u>	<u>154,392</u>	<u>-</u>	<u>3,937,241</u>	<u>2,288,266</u>
Total support and revenue					
Expenses					
Program services					
Youth mentoring	2,480,640	-	-	2,480,640	1,887,503
Supporting services					
Fundraising	812,642	-	-	812,642	726,206
General and administrative	340,869	-	-	340,869	97,259
	<u>1,153,511</u>	<u>-</u>	<u>-</u>	<u>1,153,511</u>	<u>823,465</u>
Total supporting services					
Total expenses	<u>3,634,151</u>	<u>-</u>	<u>-</u>	<u>3,634,151</u>	<u>2,710,968</u>
Change in Net Assets	148,698	154,392	-	303,090	(422,702)
Net Assets, Beginning of Period	<u>1,661,645</u>	<u>429,479</u>	<u>341,234</u>	<u>2,432,358</u>	<u>2,855,060</u>
Net Assets, End of Period	<u>\$ 1,810,343</u>	<u>\$ 583,871</u>	<u>\$ 341,234</u>	<u>\$ 2,735,448</u>	<u>\$ 2,432,358</u>

Big Brothers Big Sisters of Colorado, Inc.
Statement of Cash Flows
Year Ended September 30, 2017
(With Comparative Totals for Nine Months Ended September 30, 2016)

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 303,090	\$ (422,702)
Items not requiring (providing) operating activities cash flows		
Bad debt expense	7,360	24,123
Depreciation and amortization	51,280	21,709
Loss on disposal of fixed assets	-	4,856
Net realized and unrealized gains on investments	(46,990)	(26,491)
Changes in		
Government contract receivable	(94,282)	(63,774)
Contributions receivable	(119,543)	239,646
Prepaid expenses	33,564	(91,633)
Account payable and accrued liabilities	66,138	27,557
	<u>200,617</u>	<u>(286,709)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchases of property and equipment	(153,548)	(71,617)
Sales of investments	281,061	236,828
Purchases of investments	(290,820)	(238,580)
Net change in certificates of deposit	(176)	150,981
	<u>(163,483)</u>	<u>77,612</u>
Net cash provided by (used in) investing activities		
Net Increase (Decrease) in Cash and Cash Equivalents	37,134	(209,097)
Cash and Cash Equivalents, Beginning of Period	<u>1,137,011</u>	<u>1,346,108</u>
Cash and Cash Equivalents, End of Period	<u>\$ 1,174,145</u>	<u>\$ 1,137,011</u>

Big Brothers Big Sisters of Colorado, Inc.
Statement of Functional Expenses
Year Ended September 30, 2017
(With Comparative Totals for Nine Months Ended September 30, 2016)

	Program Services	Supporting Services			2017	2016
	Youth Mentoring	Fundraising	General and Administrative	Total Supporting Expenses	Total Expenses	Total Expenses
Salaries and wages						
Salaries	\$ 1,378,490	\$ 499,607	\$ 219,212	\$ 718,819	\$ 2,097,309	\$ 1,532,642
Employee benefits and payroll taxes	374,638	100,421	25,167	125,588	500,226	323,583
Other employment expenses	1,451	323	(1,774)	(1,451)	-	524
Total salaries and related costs	<u>1,754,579</u>	<u>600,351</u>	<u>242,605</u>	<u>842,956</u>	<u>2,597,535</u>	<u>1,856,749</u>
Rent	154,048	41,905	28,840	70,745	224,793	178,977
In-kind donations	142,069	92,342	-	92,342	234,411	250,219
Insurance	47,655	1,833	981	2,814	50,469	37,166
Staff development	9,519	2,281	2,234	4,515	14,034	11,717
Office administration	12,372	1,623	3,728	5,351	17,723	11,230
Telephone	41,963	4,428	2,649	7,077	49,040	31,571
Professional services	115,231	19,921	30,560	50,481	165,712	136,077
Field and travel	10,944	6,103	510	6,613	17,557	25,415
Supplies	92,518	2,508	1,264	3,772	96,290	50,150
National dues	15,104	2,353	1,583	3,936	19,040	13,648
Marketing	-	19,959	-	19,959	19,959	18,971
Program/volunteers	12,698	-	-	-	12,698	3,228
Background checks	37,479	-	1,975	1,975	39,454	27,598
Board	71	61	8	69	140	146
Bank fees	-	-	16,656	16,656	16,656	12,184
Bad debt expense	-	7,360	-	7,360	7,360	24,213
Total expenses before depreciation	<u>691,671</u>	<u>202,677</u>	<u>90,988</u>	<u>293,665</u>	<u>985,336</u>	<u>832,510</u>
Depreciation and amortization	34,390	9,614	7,276	16,890	51,280	21,709
Total expenses	<u>\$ 2,480,640</u>	<u>\$ 812,642</u>	<u>\$ 340,869</u>	<u>\$ 1,153,511</u>	<u>\$ 3,634,151</u>	<u>\$ 2,710,968</u>

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Big Brothers Big Sisters of Colorado, Inc. (the Organization) is a donor supported volunteer organization whose purpose is to help children reach their full potential through professionally supported one-to-one volunteer mentoring relationships with measurable impact. The Organization's revenues and other support are derived principally from contributions and grants.

Fiscal Year Change

Effective in 2016, the Board of Directors decided to change the Organization's fiscal year from the previous calendar year to an October 1 to September 30 fiscal year. The change was prompted by management's desire to better align with operational revenue fluctuations and perform closer diligence around budgeting functions and strategic planning.

Use of Estimates

The preparation 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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2017 and September 30, 2016, cash equivalents consisted primarily of money market accounts with brokers.

At September 30, 2017, the Organization's cash accounts exceeded federally insured limits by approximately \$196,000.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments. Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in unrestricted net assets. Other investment return is reflected in the statement of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	5 years
Furniture, fixtures and equipment	3 – 7 years

Expenditures for maintenance, repairs and minor replacements are expensed. Major replacements and betterments that exceed \$2,000 and extend the useful life of an asset are capitalized.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or 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. Gifts having donor stipulations that are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-kind Contributions and Contributed Services

In addition to receiving cash contributions, the Organization also receives in-kind contributions consisting of various donated items for both program and general operations from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. In-kind contributions received for the year ended September 30, 2017 and the nine months ended September 30, 2016 were \$234,411 and \$250,219, respectively.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Volunteer Hours

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. Amounts applicable to these contributed hours are not reflected in the accompanying financial statements because the volunteers' time does not meet the required criteria for contributed services. For the year ended September 30, 2017 and the nine months ended September 30, 2016, the number of volunteer hours worked was 91,180 and 94,100, respectively. However, in order to fully understand the scope of resources needed to accomplish the mission of the Organization, these volunteers hours should be considered as reflected in the table below:

	<u>2017</u>	<u>2016</u>
Program expenses as reflected in the financial statements	\$ 2,480,640	\$ 1,887,503
Value of donated mentoring hours not reflected in the financial statements	<u>2,367,033</u>	<u>2,442,836</u>
Total program expenses and value of donated hours	4,847,673	4,330,339
Supporting services as reflected in the financial statements	<u>1,153,511</u>	<u>823,465</u>
Total expenses and value of donated mentoring hours	<u>\$ 6,001,184</u>	<u>\$ 5,153,804</u>

Government Contracts

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income.

Insurance Claims Reserve

The Organization has elected to self-insure costs related to the employee health program. Costs resulting from noninsured losses are expensed when incurred. Insurance policies in force at September 30, 2017 limit the Organization's annual liability to \$20,000 per individual. The Organization records an accrual that represents their best estimate of claims and fees that were incurred but unpaid of \$21,428 and \$30,000 at September 30, 2017 and 2016, respectively. The amounts are included in accrued benefits payable on the statement of financial position.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the program and supporting services benefitted.

Prior Year Summarized Information

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 nine months ended September 30, 2016, from which the summarized information was derived.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transfer date.

Subsequent Events

Subsequent events have been evaluated through January 23, 2018, which is the date the financial statements were available to be issued.

Note 2: Investments and Investment Return

Investments at September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Money market funds	\$ 16,750	\$ 23,168
Government securities	118,062	200,774
Mutual funds	117,351	-
Equities		
Domestic	412,643	284,083
International	-	100,032
	<u> </u>	<u> </u>
Total investments	<u>\$ 664,806</u>	<u>\$ 608,057</u>

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Total investment return is composed of the following:

	2017	2016
	(12 Months)	(9 Months)
Interest and dividend income	\$ 15,351	\$ 9,621
Net realized and unrealized gains	46,990	26,491
	62,341	36,112
Interest and dividend income - certificates of deposit	5,433	1,455
	<u>\$ 67,774</u>	<u>\$ 37,567</u>

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	2017	2016
Due within one year	\$ 395,766	\$ 376,083
Due in one to five years	192,500	100,000
	<u>\$ 588,266</u>	<u>\$ 476,083</u>

Note 4: Property and Equipment

Property and equipment at September 30, 2017 and 2016 consists of the following:

	2017	2016
Computer equipment	\$ 148,395	\$ 134,967
Telephone system	-	64,733
Furniture and fixtures	110,603	133,360
Data infrastructure and software	60,784	54,463
Other equipment	-	11,100
	319,782	398,623
Less accumulated depreciation and amortization	(130,130)	(311,239)
	<u>\$ 189,652</u>	<u>\$ 87,384</u>

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Note 5: Line of Credit

The Organization has a \$100,000 revolving bank line of credit that expires in July 2018. No amounts were outstanding on this line as of September 30, 2017 and 2016. The line is collateralized by the Organization's assets. The interest rate is 10% at September 30, 2017.

Note 6: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2017 and 2016 are available for the following purposes or periods:

	<u>2017</u>	<u>2016</u>
Dolven Fund - ski programs	\$ 7,849	\$ 9,260
Vertical Mile - ski and hike funds	16,410	11,207
Top Golf for Kids Sake	17,700	-
Mentor 2.0 program	20,000	-
Other	14,625	13,991
For periods after September 30	<u>507,287</u>	<u>395,021</u>
	<u>\$ 583,871</u>	<u>\$ 429,479</u>

Permanently Restricted Net Assets

Permanently restricted net assets at September 30, 2017 and 2016 are restricted to the following:

	<u>2017</u>	<u>2016</u>
Ron Muns Endowment Fund (A)	\$ 115,981	\$ 115,981
Dottie Roberts Endowment Fund (B)	125,253	125,253
Croze Scholarship Fund (C)	<u>100,000</u>	<u>100,000</u>
	<u>\$ 341,234</u>	<u>\$ 341,234</u>

- (A) In 1997, the Ron Muns Endowment Fund (the Fund) was formed. The agreement stipulates that the fair value of the Fund must reach \$200,000 before any funds can be distributed. The Organization received notification from the donor that the board-designated funds could be used to reach this goal. The fair value of the Fund (including board-designated funds) was \$323,120 and \$295,538 as of September 30, 2017 and 2016, respectively. Annual limits on distribution are 80% of the Fund's increase in value year over year, excluding principal contributed during the year. These distributions must be used to support activities of the Big Brothers Big Sisters program in El Paso County.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

During the year ended September 30, 2017 and the nine months ended September 30, 2016, there were no distributions.

- (B) In 1988, the Dottie Roberts Endowment Fund was created for the charitable and educational purposes of the Organization. Income generated on the fund is used for programmatic purposes.
- (C) In 2010, the Croze Scholarship Fund was formed. This scholarship fund was created to award an outstanding Little Brother and Little Sister of the year for either high school or college education. Such awards are made annually dependent upon net income available.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the year ended September 30, 2017 and the nine months ended September 30, 2016, the following amounts were released by restriction:

	2017 (12 Months)	2016 (9 Months)
Purpose restrictions accomplished		
Dolven Fund - ski programs	\$ 4,462	\$ 5,480
Vertical Mile - ski fund	6,353	5,440
Self Esteem Medical Fund	-	13,573
Mentor 2.0 program	-	133,500
Other	2,426	9,749
Time restrictions expired	<u>362,737</u>	<u>353,686</u>
	<u>\$ 375,978</u>	<u>\$ 521,428</u>

Note 7: Endowment

The Organization's endowment consists of approximately three individual funds established for a variety of purposes. The endowments include both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

The Board of Directors of the Organization has interpreted the State of Colorado Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The composition of net assets by type of endowment fund at September 30, 2017 and 2016:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor-restricted endowment funds	\$ -	\$ 140,751	\$ 341,234	\$ 481,985
Board-designated endowment funds	152,555	-	-	152,555
Total endowment funds	<u>\$ 152,555</u>	<u>\$ 140,751</u>	<u>\$ 341,234</u>	<u>\$ 634,540</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 104,882	\$ 341,234	\$ 446,116
Board-designated endowment funds	139,519	-	-	139,519
Total endowment funds	<u>\$ 139,519</u>	<u>\$ 104,882</u>	<u>\$ 341,234</u>	<u>\$ 585,635</u>

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Changes in endowment net assets for the year ended September 30, 2017 and the nine months ended September 30, 2016:

	2017 (12 Months)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 139,519	\$ 104,882	\$ 341,234	\$ 585,635
Investment return				
Investment income, net of fees	1,232	4,131	-	5,363
Net appreciation	11,804	39,582	-	51,386
Appropriated for expenditure	-	(7,844)	-	(7,844)
Total investment return	13,036	35,869	-	48,905
Endowment net assets, end of period	<u>\$ 152,555</u>	<u>\$ 140,751</u>	<u>\$ 341,234</u>	<u>\$ 634,540</u>

	2016 (9 Months)			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 133,031	\$ 87,032	\$ 341,234	\$ 561,297
Investment return				
Investment income, net of fees	403	1,349	-	1,752
Net appreciation	6,085	20,405	-	26,490
Appropriated for expenditure	-	(3,904)	-	(3,904)
Total investment return	6,488	17,850	-	24,338
Endowment net assets, end of year	<u>\$ 139,519</u>	<u>\$ 104,882</u>	<u>\$ 341,234</u>	<u>\$ 585,635</u>

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Organization must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the Organization's policies, endowment assets are invested in a manner that is intended to produce results that exceed an annual return of 2% over inflation, as measured by the Consumer Price Index (CPI), while assuming a low level of investment risk. Actual returns in any given year may vary from this amount.

Big Brothers Big Sisters of Colorado, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Note 8: Related-party Transactions

Big Brothers Big Sisters of America

The Organization is affiliated with Big Brothers Big Sisters of America (BBBSA). Dues expensed to BBBSA for the year ended September 30, 2017 and for the nine months ended September 30, 2016 were \$19,040 and \$13,648, respectively. The Organization also has recorded revenue of \$231,211 and \$59,105 from BBBSA for the year ended September 30, 2017 and the nine months ended September 30, 2016, respectively. At September 30, 2017 and 2016, approximately \$100,000 and \$54,000, respectively, is recorded as a receivable.

Note 9: Operating Leases

Non-cancelable operating leases for office space expire in various years through 2024. Total rent expense for the year ended September 30, 2017 and the nine months ended September 30, 2016 was \$204,014 and \$160,628, respectively. The lease agreement includes escalation lease payments and the Organization is recognizing rent expense on a straight-line basis in accordance with generally accepted accounting principles. As a result, the difference between the escalating lease expense and the straight-line lease expense is recorded as rent payable on the statement of financial position which was \$72,354 and \$2,548 at September 30, 2017 and September 30, 2016, respectively.

Future minimum lease payments at September 30, 2017, for fiscal year ended September 30, are as follows:

2018	\$	200,619
2019		206,257
2020		211,895
2021		217,533
2022		223,171
Thereafter		<u>325,125</u>
	\$	<u>1,384,600</u>

Big Brothers Big Sisters of Colorado, Inc.

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Note 10: Employee Benefit Plan

The Organization has formed a retirement savings plan which allows the Organization's employees to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Organization does not match any contributions made by employees to the plan.

Note 11: Disclosures About Fair Value of Assets and Liabilities

ASC Topic 820, *Fair Value Measurements*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 also specifies a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Big Brothers Big Sisters of Colorado, Inc.

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Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017 and 2016:

	2017			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
Money market funds	\$ 16,750	\$ 16,750	\$ -	\$ -
Government securities	118,062	-	118,062	-
Mutual funds	117,351	117,351	-	-
Equities				
Domestic	412,643	412,643	-	-
International	-	-	-	-
	<u>\$ 664,806</u>	<u>\$ 546,744</u>	<u>\$ 118,062</u>	<u>\$ -</u>

	2016			
	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobserv- able Inputs (Level 3)
Money market funds	\$ 23,168	\$ 23,168	\$ -	\$ -
Government securities	200,774	-	200,774	-
Equities				
Domestic	284,083	284,083	-	-
International	100,032	100,032	-	-
	<u>\$ 608,057</u>	<u>\$ 407,283</u>	<u>\$ 200,774</u>	<u>\$ -</u>

Big Brothers Big Sisters of Colorado, Inc.

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September 30, 2017 and 2016

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include foreign and domestic equities and money markets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include government securities.

Note 12: Charlotte Croze Memorial Fund Held at The Denver Foundation

During 2010, the Organization received notification that it was named as one of the beneficiaries of the Charlotte Gallup Croze Trust (the Trust). Under the terms of the trust agreement, the funds of the Trust will be held at The Denver Foundation for a period of 10 years, during which time the Organization will receive annual distributions (one-third interest) equal to the greater of the net income of the Trust or 5% of the principal value of the Trust. After 10 years (on or about June 22, 2020), the balance of the Organization's one-third interest in the Trust will be distributed to the Organization. The Denver Foundation has variance power and therefore the Organization's interest is not recorded in the financial statements.