



WEINLANDER FITZHUGH

MID MICHIGAN BIG BROTHER BIG SISTERS
CLARE, MICHIGAN

FINANCIAL STATEMENTS
DECEMBER 31, 2018

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

March 5, 2019

Board of Directors
Mid Michigan Big Brothers Big Sisters
Clare, Michigan

We have audited the accompanying financial statements of Mid Michigan Big Brothers Big Sisters (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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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



WEINLANDER FITZHUGH

Board of Directors
Mid Michigan Big Brothers Big Sisters
March 5, 2019

Emphasis of Matter

As discussed in Note 6 to the financial statements, in 2018, the Organization adopted new accounting guidance, FASB ASU No. 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 this matter.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of activities as noted in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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MID MICHIGAN BIG BROTHERS BIG SISTERS
Statement of Financial Position
December 31, 2018

ASSETS

Current Assets:	
Cash	\$ 140,812
Receivables:	
Accounts	35,400
Pledges	5,063
Prepaid expenses	670
	181,945
Land, Building and Equipment, at cost:	
Land	2,500
Building	46,731
Equipment	11,175
	60,406
Less allowance for depreciation	(33,646)
	26,760
Total Assets	\$ 208,705

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 1,906
Net Assets:	
Without donor restrictions	
Invested in land, buildings and equipment	26,760
Undesignated	170,608
	197,368
With donor restrictions	9,431
Total net assets	206,799
Total Liabilities and Net Assets	\$ 208,705

See accompanying notes to financial statements.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Statement of Activities
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public Support and Revenue:			
Contributions	\$ 43,137	\$ 6,743	\$ 49,880
In-kind contributions	68,476	0	68,476
Grants	107,950	0	107,950
Bowl for Kids Sake	46,110	0	46,110
Gala	36,537	0	36,537
Other income	69	0	69
Golf outing	16,712	0	16,712
Art auction	19,221	0	19,221
Celebration raffle	3,320	0	3,320
Sponsorships	9,000	0	9,000
Other fundraisers	8,947	0	8,947
Interest	126	0	126
Net assets released from restrictions:			
Satisfaction of program restrictions	7,530	(7,530)	0
Total public support and revenue	<u>367,135</u>	<u>(787)</u>	<u>366,348</u>
 Expenses:			
Mentoring and guidance services	185,354	0	185,354
Management and general services	14,708	0	14,708
Fundraising activities	102,191	0	102,191
Total expenses	<u>302,253</u>	<u>0</u>	<u>302,253</u>
 Change in net assets before changes related to the acquisition of Big Brothers Big Sisters of Gratiot and Montcalm Counties	64,882	(787)	64,095
 Excess of assets acquired in the acquisition of Big Brothers Big Sisters of Gratiot and Montcalm Counties	<u>44,270</u>	<u>5,288</u>	<u>49,558</u>
 Change in net assets	<u>109,152</u>	<u>4,501</u>	<u>113,653</u>
 Net assets - beginning of year	<u>88,216</u>	<u>4,930</u>	<u>93,146</u>
 Net assets - end of year	<u>\$ 197,368</u>	<u>\$ 9,431</u>	<u>\$ 206,799</u>

See accompanying notes to financial statements.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Statement of Functional Expenses
For the Year Ended December 31, 2018

	Total	Mentoring and Guidance Services	Management and General Services	Fundraising Activities
Payroll	\$ 112,856	\$ 83,774	\$ 7,374	\$ 21,708
Art auction	20,655	0	0	20,655
Computer and software	21,790	20,749	902	139
Program expenses	16,209	16,209	0	0
Dues and subscriptions	6,587	6,567	20	0
Taxes - payroll	9,657	6,032	1,749	1,876
Insurance	5,319	4,630	689	0
Rent	11,859	11,859	0	0
Other	63	0	63	0
Fund development	8,708	0	0	8,708
Bowl for Kids Sake fundraiser	13,468	0	0	13,468
Gala	21,923	0	0	21,923
Comedy Night	3,071	0	0	3,071
Professional services	3,250	2,525	725	0
Utilities	3,552	3,257	295	0
Telephone	3,755	3,638	117	0
Conferences and training	3,032	1,915	1,117	0
Office supplies	3,406	2,934	472	0
Golf outing	8,465	0	0	8,465
Depreciation	1,389	1,250	139	0
Mileage, meals, and travel	2,935	2,088	766	81
Case worker	4,869	4,869	0	0
Postage	1,953	1,456	50	447
Repairs and maintenance	607	472	135	0
Publicity	1,085	990	95	0
Mystic Lake YMCA Camp	2,600	2,600	0	0
Other fundraisers	1,650	0	0	1,650
Program supplies	5,915	5,915	0	0
Equipment	1,625	1,625	0	0
	<u>\$ 302,253</u>	<u>\$ 185,354</u>	<u>\$ 14,708</u>	<u>\$ 102,191</u>

See accompanying notes to financial statements.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Statement of Cash Flows
For the Year Ended December 31, 2018

Cash Flows From Operating Activities

Change in net assets	\$ 64,095
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation	1,389
Changes in operating assets and liabilities:	
Accounts receivable	(34,915)
Pledges receivable	(133)
Prepaid expenses	(670)
Accounts payable	1,207
Net cash flow from operating activities	30,973

Cash Flows From Investing Activities

Cash acquired from acquisition of Big Brothers Big Sisters of Gratiot and Montcalm Counties, Inc.	49,558
Net cash flow from investing activities	49,558
Net change in cash	80,531
Cash at beginning of year	60,281
Cash at end of year	\$ 140,812

See accompanying notes to financial statements.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mid Michigan Big Brothers Big Sisters (Organization) is a nonprofit corporation whose purpose is to provide assistance to children through mentors and guidance of parents to help the children to develop into healthy and functional members of the society and community. During 2011, Big Brothers Big Sisters of the Lakes began business operating under Mid Michigan Big Brothers Big Sisters. Also in 2012, Big Brothers Big Sisters of Mecosta and Osceola Counties began business operating under Mid Michigan Big Brothers Big Sisters and subsequently closed due to lack of funding. During 2018, Big Brothers Big Sisters of Gratiot and Montcalm Counties began business operating under Mid Michigan Big Brothers Big Sisters.

Basis of Accounting

The accounts of the Organization are maintained on the accrual basis. Public support and revenue are recognized when earned and expenses when incurred.

Revenue Recognition

All contributions are considered to be available for unspecified use unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. Amounts received that are restricted for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a restriction on a net asset with donor restrictions expires, the net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in the future are recorded at fair value, which is measured at the present value of cash flow. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included in support until the conditions are substantially met.

Land, Building and Equipment

Purchases of land, buildings and equipment having a unit cost of \$500 or more and an estimated useful life of more than three years are capitalized at cost. The assets are reported at historical cost less accumulated depreciation. Depreciation of buildings and building improvements are determined by the straight-line method over an estimated useful life of 20-39 years. Depreciation of equipment is determined by the straight-line method over the asset's estimated life, which is 5-7 years.

Maintenance and repairs are charged to expense as incurred. Renewals and betterments are charged to the related property asset account. When assets are retired, cost and accumulated depreciation are eliminated from the asset and accumulated depreciation accounts and the resulting profit or loss is included in operations.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor 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 (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor or certain grantor 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 must be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Donated Services

Amounts that have been reported in the financial statements for voluntary donations of services are those services that create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and which would be typically purchased if not provided by donation. The Organization received donations of building rent in the amount of \$6,216 and goods and professional services in the amount of \$62,260.

Cash Flow Information

For the purposes of the statement of cash flows, cash includes all petty cash, checking and savings. Cash paid for interest was \$0 and for income taxes was \$0.

Use of Estimates

The process of preparing the basic financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Advertising

Costs for advertising are expensed at the time the advertising cost is paid. The total cost of advertising charged to expense was \$1,085 for the year ended December 31, 2018.

Pledges receivable

Pledges receivable as of December 31, 2018 consisted of \$5,063. The entire amount is due within one year.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges receivable are periodically evaluated for collectability based on past history with donors and their current financial condition. Provisions for uncollectible pledges receivable are determined on the basis of loss experience, known and inherent risks are current economic conditions.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to program or supporting functions. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on an square footage basis, as well as salaries and wages and payroll taxes, which are allocated on the basis of estimates of time and effort.

Events Occurring After Reporting Date

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the accompanying independent auditor's report, which is the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Cash and cash equivalents	\$	140,812
Accounts receivables		35,400
Pledges receivable		5,063
Total financial assets		181,275
Amounts restricted for campership		(4,368)
		(4,368)
Financial assets available to meet cash needs for general expenditures within one year	\$	176,907

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 3 – INCOME TAXES

The Organization is a nonprofit corporation exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization's income tax returns are subject to examination by the appropriate taxing jurisdictions. As of December 31, 2018, the Organization's federal tax returns generally remain open for the last three years.

NOTE 4- ENDOWMENT FUND

Mid Michigan Big Brothers Big Sisters is the beneficiary under an endowment fund agreement with the Clare County Community Foundation. The assets of the endowment fund, \$290,533, are included on the statement of financial position of the Clare County Community Foundation. Mid Michigan Big Brothers Big Sisters does not reflect the balance in the statement of financial position. The Organization does not exercise any control over the principal of the fund but, based on a formula, certain amounts of the fund may be distributed to and expended by the Organization.

Variance power has been granted to the Clare County Community Foundation for the assets in the endowment fund. If Mid Michigan Big Brothers Big Sisters ceases to exist or no longer performs its functions under the provisions of the agreement, the Clare County Community Foundation shall continue to administer and disburse fund assets in a manner deemed appropriate.

Investment and spending policies are determined by the Clare County Community Foundation, in accordance with established guidelines adopted by the Foundation's governing board.

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 5 – RESTRICTIONS ON ASSETS

Net assets with donor restrictions are restricted for the following purposes or periods:

Subject to expenditure for specified purpose:	
Mystic Lake YMCA Camp for littles	\$ 4,368
Subject to the passage of time:	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until received	5,063
	\$ 9,431

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018.

Expiration of time restrictions	\$ 4,930
Satisfaction of purpose restrictions:	
Mystic Lake YMCA Camp for littles	2,600
	\$ 7,530

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 6 – NEW ACCOUNTING STANDARD

For the year ended December 31, 2018, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve information presented and disclosed in the financial statements and notes about a not-for-profit entity's liquidity, financial performance and cash flows. Main provisions of this guidance address the complexity and understandability of net asset classification through use of two classes of net assets versus the previously required three; recognition of underwater endowment funds as a reduction in net assets with donor restrictions as opposed to without donor restrictions; enhanced disclosures related to the Organization's liquidity and availability of resources; consistency in the type of information provided about investment expenses and return; a requirement for all not-for-profit entities to report information about expenses in one location by both their natural and functional classifications; and statement of cash flow presentation.

A summary of the net asset reclassifications resulting from the adoption of ASU 2016-14 is presented below:

	<u>ASU 2016-14 Classifications</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total Net Assets</u>
Net assets previously presented as of December 31, 2017:			
Unrestricted	\$ 88,216	\$ 0	\$ 88,216
Temporarily restricted	<u>0</u>	<u>4,930</u>	<u>4,930</u>
Reclassified net assets as of December 31, 2017	<u>\$ 88,216</u>	<u>\$ 4,930</u>	<u>\$ 93,146</u>

MID MICHIGAN BIG BROTHERS BIG SISTERS
Notes to Financial Statements
For the Year Ended December 31, 2018

NOTE 7- UPCOMING ACCOUNTING PRONOUNCEMENT

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). This new revenue recognition standard offers amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard will be effective for the Organization's year ended December 31, 2019. Management is evaluating the effect of the amended revenue recognition guidance on the Organization's financial statements.

On February 26, 2016, FASB issued ASU 2016-02, *Leases* (Topic 842). This new standard will move operating lease obligations from the footnotes to the statement of financial position by recognizing lease assets and lease liabilities and disclosing key information about leasing arrangements. The standard will be effective for the Organization's year ended December 31, 2020. Management is evaluating the effect of the updated lease guidance on the Organization's financial statements

MID MICHIGAN BIG BROTHERS BIG SISTERS
Combining Statement of Activities
For the Year Ended December 31, 2018

	Mid Michigan Big Brothers Big Sisters	Mid Michigan Big Brothers Big Sisters of the Lakes	Gratiot Montcalm Big Brothers Big Sisters	Combining activity	Total
Public Support and Revenue:					
Contributions	\$ 29,799	\$ 4,446	\$ 15,635	\$ 0	\$ 49,880
In-kind contributions:					
Art auction	17,983	0	0	0	17,983
Bowl for Kids Sake	2,829	962	3,245	0	7,036
Golf outing	0	609	3,410	0	4,019
Gala	0	0	14,835	0	14,835
Other	14,037	6,117	4,449	0	24,603
Grants	102,950	5,000	0	0	107,950
Bowl for Kids Sake	14,118	7,065	24,927	0	46,110
Golf outing	0	1,997	14,715	0	16,712
Gala	0	0	36,537	0	36,537
Art auction	19,221	0	0	0	19,221
Celebration raffle	3,320	0	0	0	3,320
Other income	76,751	0	69	(76,751)	69
Sponsorships	0	9,000	0	0	9,000
Other fundraisers	120	7,927	900	0	8,947
Interest	126	0	0	0	126
Total public support and revenue	<u>281,254</u>	<u>43,123</u>	<u>118,722</u>	<u>(76,751)</u>	<u>366,348</u>
Expenses:					
Mentoring and guidance services	145,386	27,183	69,102	(56,317)	185,354
Management and general services	14,051	3,794	1,374	(4,511)	14,708
Fundraising activities	59,290	7,108	51,716	(15,923)	102,191
Total expenses	<u>218,727</u>	<u>38,085</u>	<u>122,192</u>	<u>(76,751)</u>	<u>302,253</u>
Change in net assets before changes related to the acquisition of Big Brothers Big Sisters of Gratiot and Montcalm Counties	62,527	5,038	(3,470)	0	64,095
Excess of assets acquired in the acquisition of Big Brothers Big Sisters of Gratiot and Montcalm Counties	<u>0</u>	<u>0</u>	<u>49,558</u>	<u>0</u>	<u>49,558</u>
Change in net assets	62,527	5,038	46,088	0	113,653
Net assets - beginning of year	<u>75,518</u>	<u>17,628</u>	<u>0</u>	<u>0</u>	<u>93,146</u>
Net assets - end of year	<u>\$ 138,045</u>	<u>\$ 22,666</u>	<u>\$ 46,088</u>	<u>\$ 0</u>	<u>\$ 206,799</u>