

**BIG BROTHERS AND BIG SISTERS  
OF DANE COUNTY, INC.**

FINANCIAL STATEMENTS

December 31, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Brothers and Big Sisters of Dane County, Inc.  
Madison, Wisconsin

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Dane County, Inc., which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Dane County, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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***Adoption of New Accounting Pronouncement***

As discussed in Note 1 to the financial statements, Big Brothers and Big Sisters of Dane County, Inc. adopted the Financial Accounting Standards Board's Accounting Standards update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended December 31, 2018. The requirements of the ASU have been applied prospectively to the year ended December 31, 2018. Our opinion is not modified with respect to this matter.

***Prior Period Adjustment***

As discussed in Note 14 to the financial statements, the previously issued financial statements have been restated for the correction of net asset classification for the year ended December 31, 2017. Our opinion is not modified with respect to this matter.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
February 15, 2019

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2018 and 2017

	2018	2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 102,722	\$ 18,763
Promises to give	135,550	123,080
Prepaid expenses	9,650	15,632
<b>Total current assets</b>	<b>247,922</b>	<b>157,475</b>
<b>FURNITURE AND EQUIPMENT</b>		
Furniture and equipment	50,205	50,205
Accumulated depreciation	(49,007)	(47,410)
<b>Furniture and equipment - net</b>	<b>1,198</b>	<b>2,795</b>
<b>OTHER ASSETS</b>		
Beneficial interest in assets held by Madison Community Foundation	15,387	16,359
Investments	489,167	531,125
Promises to give	57,000	136,000
<b>Total assets</b>	<b>\$ 810,674</b>	<b>\$ 843,754</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,906	\$ 6,499
Accrued expenses	31,268	23,654
Line of credit	-	25,000
<b>Total liabilities</b>	<b>43,174</b>	<b>55,153</b>
<b>NET ASSETS</b>		
Without donor restrictions	331,026	393,847
With donor restrictions	436,474	394,754
<b>Total net assets</b>	<b>767,500</b>	<b>788,601</b>
<b>Total liabilities and net assets</b>	<b>\$ 810,674</b>	<b>\$ 843,754</b>

See accompanying notes.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
<b>SUPPORT AND REVENUE</b>			
Allocation and contributions from United Way	\$ 163,903	\$ -	\$ 163,903
Special events	440,604	-	440,604
Cost of special events	(108,762)	-	(108,762)
Contributions	444,082	193,550	637,632
Investment return, net	(34,338)	-	(34,338)
Other income	1,275	-	1,275
<b>Total support and revenue</b>	<b>906,764</b>	<b>193,550</b>	<b>1,100,314</b>
<b>EXPENSES</b>			
Program services			
Enrollment	210,173	-	210,173
High School	171,328	-	171,328
Elementary	153,716	-	153,716
School Friends	98,472	-	98,472
Community	50,569	-	50,569
Picnic	18,391	-	18,391
Other	12,071	-	12,071
<b>Total program services</b>	<b>714,720</b>	<b>-</b>	<b>714,720</b>
Supporting activities			
Management and general	142,899	-	142,899
Fundraising	263,796	-	263,796
<b>Total expenses</b>	<b>1,121,415</b>	<b>-</b>	<b>1,121,415</b>
Net assets released from donor restrictions	151,830	(151,830)	-
<b>Change in net assets</b>	<b>(62,821)</b>	<b>41,720</b>	<b>(21,101)</b>
Net assets - beginning of year, as restated	393,847	394,754	788,601
<b>Net assets - end of year</b>	<b>\$ 331,026</b>	<b>\$ 436,474</b>	<b>\$ 767,500</b>

See accompanying notes.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	2017 Total
<b>SUPPORT AND REVENUE</b>			
Allocation and contributions from United Way	\$ 163,911	\$ -	\$ 163,911
Special events	469,183	-	469,183
Cost of special events	(138,046)	-	(138,046)
Contributions	380,231	287,330	667,561
Investment return, net	68,819	-	68,819
Other income	-	-	-
<b>Total support and revenue</b>	<b>944,098</b>	<b>287,330</b>	<b>1,231,428</b>
<b>EXPENSES</b>			
Program services	542,539	-	542,539
Management and general	164,635	-	164,635
Fundraising	235,531	-	235,531
<b>Total expenses</b>	<b>942,705</b>	<b>-</b>	<b>942,705</b>
Net assets released from donor restrictions	12,000	(12,000)	-
<b>Change in net assets</b>	<b>13,393</b>	<b>275,330</b>	<b>288,723</b>
Net assets - beginning of year	380,454	119,424	499,878
<b>Net assets - end of year, as restated</b>	<b>\$ 393,847</b>	<b>\$ 394,754</b>	<b>\$ 788,601</b>

See accompanying notes.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2018

	Program Services						Management and General	Fundraising	Cost of Special Events	Total	
	Enrollment	High School	Elementary	School Friends	Community	Picnic					Other
Salaries	\$ 137,151	\$ 116,551	\$ 107,359	\$ 67,927	\$ -	\$ -	\$ -	\$ 37,621	\$ 156,716	\$ -	\$ 623,325
Employee benefits	29,266	22,670	21,590	13,720	-	-	-	6,642	17,393	-	111,281
Payroll taxes	10,863	9,362	8,685	5,465	-	-	-	2,826	12,185	-	49,386
<b>Total salaries and related expenses</b>	<b>177,280</b>	<b>148,583</b>	<b>137,634</b>	<b>87,112</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47,089</b>	<b>186,294</b>	<b>-</b>	<b>783,992</b>
Contract services	11,467	5,364	3,575	1,935	4,290	-	1,806	58,397	33,393	63,476	183,703
Food and supplies	714	3,363	-	318	1,128	3,612	1,150	12,504	3,012	29,881	55,682
Telephone	1,416	1,391	1,116	991	-	-	-	600	2,542	-	8,056
Postage, shipping, and printing	-	-	-	528	2,743	-	685	3,379	16,644	5,498	29,477
Insurance	4,283	2,416	2,636	1,647	-	-	-	611	3,661	-	15,254
Occupancy	11,300	6,771	6,972	4,358	-	-	55	1,615	9,684	-	40,755
Travel	2,215	1,189	1,204	1,285	-	73	364	1,470	3,540	321	11,661
Conferences and meetings	448	745	303	126	4,859	7	352	5,335	2,844	-	15,019
Advertising	-	-	-	-	-	-	-	-	1,799	-	1,799
Assistance to individuals	602	1,253	-	-	1,130	717	7,659	-	-	-	11,361
Interest expense	-	-	-	-	-	-	-	959	-	-	959
Dues to affiliates	-	-	-	-	-	-	-	9,875	-	-	9,875
Bad debt	-	-	-	-	-	-	-	1,000	-	-	1,000
Depreciation	448	253	276	172	-	-	-	65	383	-	1,597
<b>Total expenses before contributed goods</b>	<b>210,173</b>	<b>171,328</b>	<b>153,716</b>	<b>98,472</b>	<b>14,150</b>	<b>4,409</b>	<b>12,071</b>	<b>142,899</b>	<b>263,796</b>	<b>99,176</b>	<b>1,170,190</b>
Contributed goods	-	-	-	-	36,419	13,982	-	-	-	9,586	59,987
<b>Total expenses</b>	<b>210,173</b>	<b>171,328</b>	<b>153,716</b>	<b>98,472</b>	<b>50,569</b>	<b>18,391</b>	<b>12,071</b>	<b>142,899</b>	<b>263,796</b>	<b>108,762</b>	<b>1,230,177</b>
Less expenses included with support and revenue on the statements of activities	-	-	-	-	-	-	-	-	-	(108,762)	(108,762)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 210,173</b>	<b>\$ 171,328</b>	<b>\$ 153,716</b>	<b>\$ 98,472</b>	<b>\$ 50,569</b>	<b>\$ 18,391</b>	<b>\$ 12,071</b>	<b>\$ 142,899</b>	<b>\$ 263,796</b>	<b>\$ -</b>	<b>\$ 1,121,415</b>

See accompanying notes.



**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2017

	Program Services	Management and General	Fundraising	Cost of Special Events	Total
Salaries	\$ 325,371	\$ 41,173	\$ 151,122	\$ -	\$ 517,666
Employee benefits	66,663	6,093	10,102	-	82,858
Payroll taxes	25,633	3,098	11,998	-	40,729
<b>Total salaries and related expenses</b>	<b>417,667</b>	<b>50,364</b>	<b>173,222</b>	<b>-</b>	<b>641,253</b>
Contract services	16,914	64,357	32,120	76,335	189,726
Food and supplies	7,320	7,680	3,793	26,948	45,741
Telephone	2,350	3,889	932	-	7,171
Postage, shipping, and printing	1,757	4,762	15,327	7,337	29,183
Insurance	13,366	3,819	1,909	-	19,094
Occupancy	26,370	7,534	3,767	-	37,671
Travel	4,020	4,792	2,023	4,653	15,488
Conferences and meetings	12,052	4,800	2,024	-	18,876
Advertising	1,228	264	316	1,000	2,808
Assistance to individuals	9,569	-	-	-	9,569
Interest expense	-	2,096	-	-	2,096
Dues to affiliates	-	10,083	-	-	10,083
Depreciation	685	195	98	-	978
<b>Total expenses before contributed goods</b>	<b>513,298</b>	<b>164,635</b>	<b>235,531</b>	<b>116,273</b>	<b>1,029,737</b>
Contributed goods	29,241	-	-	21,773	51,014
<b>Total expenses</b>	<b>542,539</b>	<b>164,635</b>	<b>235,531</b>	<b>138,046</b>	<b>1,080,751</b>
Less expenses included with support and revenue on the statements of activities	-	-	-	(138,046)	(138,046)
<b>Total expenses included in the expenses section of the statements of activities</b>	<b>\$ 542,539</b>	<b>\$ 164,635</b>	<b>\$ 235,531</b>	<b>\$ -</b>	<b>\$ 942,705</b>

See accompanying notes.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (21,101)	\$ 288,723
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	1,597	978
Donated stock	(1,572)	(25,398)
Net realized and unrealized (gain) loss on investments	54,883	(51,229)
(Increase) decrease in assets		
Promises to give	66,530	(253,580)
Prepaid expenses	5,982	6,400
Increase (decrease) in liabilities		
Accounts payable	5,407	(7,775)
Accrued expenses	7,614	(11,284)
<b>Net cash flows from operating activities</b>	<b>119,340</b>	<b>(53,165)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	-	(1,843)
Distributions from agency endowment	655	673
Proceeds from sales of investments	15,510	43,673
Purchases of and interest retained in investments	(26,546)	(28,915)
<b>Net cash flows from investing activities</b>	<b>(10,381)</b>	<b>13,588</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	(124,500)	(130,000)
Proceeds from line of credit	99,500	120,000
<b>Net cash flows from financing activities</b>	<b>(25,000)</b>	<b>(10,000)</b>
Net change in cash	83,959	(49,577)
Cash - beginning of year	18,763	68,340
<b>Cash - end of year</b>	<b>\$ 102,722</b>	<b>\$ 18,763</b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 959	\$ 2,096
Noncash investing activities		
Donated stock	1,572	25,398

See accompanying notes.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations**

Big Brothers and Big Sisters of Dane County, Inc. was organized as a not-for-profit organization in 1966. Big Brothers and Big Sisters of Dane County, Inc. was formed for the purpose of providing human services and other opportunities to children who do not have these services available to them in their own homes. The primary source of revenue is public support.

**Basis of Presentation**

Big Brothers and Big Sisters of Dane County, Inc. reports information regarding its financial position and activities based upon the existence or absence of restrictions on use that are placed by its donors.

Net assets without donor restrictions are resources available to support operations. Designations are voluntary board-approved segregations of net assets without donor restrictions for specific purposes, projects, or investments.

Net assets with donor restrictions are resources subject to donor-imposed restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

**Receivables**

Big Brothers and Big Sisters of Dane County, Inc. considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

**Promises to Give**

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. Promises to give at December 31, 2018 and 2017 receivable in more than one year were \$57,000 and \$136,000.

Big Brothers and Big Sisters of Dane County, Inc. considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Investments**

Investments consist of equity securities that are carried at fair value and money market funds related to the investment portfolio.

Big Brothers and Big Sisters of Dane County, Inc. also has investments held in agency endowment by the Madison Community Foundation (MCF). Big Brothers and Big Sisters of Dane County, Inc. may receive the income earned from the agency endowment of the MCF. These funds are recorded as board-designated net assets and are carried at fair value.

**Furniture and Equipment**

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment with a value of over \$500 is capitalized and depreciated using the straight-line method over an estimated useful life relative to the piece of furniture or equipment.

Contributed equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

**Contributions**

Contributions are recognized as revenue when received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statements of activities.

**Expense Allocations**

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: personnel expenses, business insurance, rent, and depreciation, which are allocated on the basis of estimates of time and effort.

The following program services are included in the accompanying financial statements:

*Enrollment*

Assesses youth and volunteers for eligibility and suitability for the program.

*High School*

Mentoring program for 8th through high school mentees involving academic and career development, one-to-one mentoring, and individualized success plans.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Elementary*

Mentoring program for elementary thru 7th grade mentees involving one-on-one outings and activities.

*School Friends*

Site-based mentoring program that takes place at the mentee's school once per week usually during lunch or after school.

*Community*

Mentoring program that takes place out in the community once per week, involving one-on-one outings and activities.

*Picnic*

Annual event where backpacks and school supply kits are provided to mentees to get them ready for the upcoming school year.

*Other*

Additional events, supplies, and trainings to support our one-to-one mentoring programs.

**Donated Services**

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

In addition, a large number of volunteers have given significant amounts of their time to Big Brothers and Big Sisters of Dane County, Inc.'s programs, fundraising campaigns, and management. No amounts have been recorded in the financial statements for these volunteer services because the criteria for recognition have not been met.

**Advertising**

Big Brothers and Big Sisters of Dane County, Inc. uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs for 2018 and 2017 totaled \$1,799 and \$2,808.

**Income Tax Status**

Big Brothers and Big Sisters of Dane County, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Big Brothers and Big Sisters of Dane County, Inc.'s tax-exempt purpose is subject to taxation as unrelated business income.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Adoption of New Accounting Pronouncement**

On August 18, 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Non-for Profit Entities*. This update addresses the complexity and understandability of net asset classifications, 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. Big Brothers and Big Sisters of Dane County, Inc. has adjusted the presentation of these financial statements accordingly. The update has been applied prospectively to the year ended December 31, 2018.

**Date of Management’s Review**

Management has evaluated subsequent events through February 15, 2019, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 416,926	\$ 518,990
Money market funds	<u>72,241</u>	<u>12,135</u>
Total investments	<u>\$ 489,167</u>	<u>\$ 531,125</u>

Investment return for 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 25,840	\$ 23,753
Net realized and unrealized gain (loss)	(54,883)	51,229
Investment fees	<u>(5,295)</u>	<u>(6,163)</u>
Investment return (loss)	<u>\$ (34,338)</u>	<u>\$ 68,819</u>

Investment fees for 2018 and 2017 include donated investment services of \$5,000 and \$4,800 provided by a member of the board of directors.

NOTE 3 – AGENCY ENDOWMENT

The Big Brothers and Big Sisters of Dane County, Inc. established an agency endowment at Madison Community Foundation (MCF). The Big Brothers and Big Sisters of Dane County, Inc. recognizes the fair value of donations as contributions when received. When the Big Brothers and Big Sisters of Dane County, Inc. transfers the funds to MCF it recognizes the transfer as a decrease in cash and an increase in an asset called beneficial interest in assets held by MCF.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017

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NOTE 3 – AGENCY ENDOWMENT (continued)

The Big Brothers and Big Sisters of Dane County, Inc. acknowledges that by virtue of the governing instrument of MCF, the Board of Governors of MCF has the authority to modify any restriction or condition on the distribution of assets from MCF if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by MCF. MCF maintains legal ownership of the fund.

In 2017, MCF updated their spending policy to make an annual distribution to the Big Brothers and Big Sisters of Dane County, Inc. that will be calculated over 12 quarters and represents 4.75% of the average value of the assets in MCF in 2017, 4.5% in 2018, and 4.25% in 2019. The Big Brothers and Big Sisters of Dane County, Inc. received distributions of \$655 and \$673 in 2018 and 2017

NOTE 4 – LINE OF CREDIT

Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit agreement with State Bank of Cross Plains that expires September 4, 2019. The interest rate on outstanding principal is prime plus 1.5% with a floor of 5%. At December 31, 2018, the interest rate was 6.50%. The line of credit is secured by Big Brothers and Big Sisters of Dane County, Inc.'s assets. At December 31, 2018 and 2017 there was an outstanding balance of \$0 and \$25,000.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31, 2018 and 2017 are restricted for the following:

	2018	2017
For future operations	\$ 198,550	\$ 259,080
Match support	90,000	-
BFKS	21,000	6,500
Matchmaker	2,500	1,250
Gala	17,000	21,000
Net assets with donor restrictions - temporarily restricted	329,050	287,830
Net assets with donor restrictions - permanently restricted	107,424	106,924
Total net assets with donor restrictions	\$ 436,474	\$ 394,754

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS**

Net assets without donor restrictions at December 31, 2018 and 2017 are available for the following:

	<u>2018</u>	<u>2017</u>
Board-designated endowment funds	\$ 381,743	\$ 424,800
Board-designated - MCF	15,387	16,359
Undesignated	<u>(66,104)</u>	<u>(47,312)</u>
Net assets without donor restrictions	<u>\$ 331,026</u>	<u>\$ 393,847</u>

**NOTE 7 – SPECIAL EVENTS**

Big Brothers and Big Sisters of Dane County, Inc. has various fundraising events. The revenue and costs directly associated with fundraising events for 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Gross revenue	\$ 440,604	\$ 469,183
Cost of special events		
BFKS	20,013	15,840
Gala	79,470	90,569
Other	<u>9,279</u>	<u>31,637</u>
Cost of special events	<u>108,762</u>	<u>138,046</u>
Special events - net	<u>\$ 331,842</u>	<u>\$ 331,137</u>

**NOTE 8 – OPERATING LEASE**

Big Brothers and Big Sisters of Dane County, Inc. leases space for its administrative office and program services from a primary funder, United Way of Dane County. The lease required monthly payments of \$3,139 through December 2017, \$3,297 through December 2018, and will require monthly payments of \$3,523 for January 2019 through December 2020. Rental expense for 2018 and 2017 was \$40,755 and \$37,671. Future minimum lease payments for 2019 and 2020 are \$42,280 for each year.

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

Big Brothers and Big Sisters of Dane County, Inc. has a tax-deferred 401(k) retirement plan. Employees working 20 hours or more upon completion of 12 months of service are eligible for an employer match. Big Brothers and Big Sisters of Dane County, Inc. contributes a 50% match up to 3% of the employee's contributions. Employee benefit plan expense was \$7,063 and \$5,731 for 2018 and 2017.



**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
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NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2018 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 416,926	\$ 416,926	\$ -
Money market funds	72,241	72,241	-
Beneficial interest in net assets held by MCF	15,387	-	15,387
	<u>\$ 504,554</u>	<u>\$ 489,167</u>	<u>\$ 15,387</u>

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 518,990	\$ 518,990	\$ -
Money market funds	12,135	12,135	-
Beneficial interest in net assets held by MCF	16,359	-	16,359
	<u>\$ 547,484</u>	<u>\$ 531,125</u>	<u>\$ 16,359</u>

Fair values for mutual funds, stocks, and money market funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for bonds are determined based on recent prices of similar assets.

The Big Brothers and Big Sisters of Dane County, Inc.'s beneficial interest in assets held by MCF represents an agreement between the Big Brothers and Big Sisters of Dane County, Inc. and MCF in which the Big Brothers and Big Sisters of Dane County, Inc. transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to The Big Brothers and Big Sisters of Dane County, Inc. by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by MCF	
	2018	2017
Beginning balance	\$ 16,359	\$ 14,595
Change in value of beneficial interest included in change in net assets	(317)	2,437
Distribution	(655)	(673)
Ending balance	\$ 15,387	\$ 16,359

The change in value of beneficial interest included in change in net assets is included in investment return on the statements of activities.

NOTE 11 – ENDOWMENTS

Big Brothers and Big Sisters of Dane County, Inc.'s endowment consists of a donor-restricted fund where the investment income, including realized gains and losses is given to Big Brothers and Big Sisters of Dane County, Inc. and the funds are designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The Big Brothers and Big Sisters of Dane County, Inc. has interpreted the State Prudent Management of Institutional Funds Act (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 Big Brothers and Big Sisters of Dane County, Inc. classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as board designated net assets until those amounts are appropriated for expenditure by The Big Brothers and Big Sisters of Dane County, Inc. in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Big Brothers and Big Sisters of Dane County, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Big Brothers and Big Sisters of Dane County, Inc., and (7) The Big Brothers and Big Sisters of Dane County, Inc.'s investment policies.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 11 – ENDOWMENTS (continued)

*Investment Return Objectives, Risk Parameters and Strategies.* The Big Brothers and Big Sisters of Dane County, Inc. has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those *endowment* assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds invested in equity, fixed income and money market securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution to Big Brothers and Big Sisters of Dane County, Inc. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund as of December 31, 2018 and 2017 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
Donor-restricted endowment funds	\$ -	107,424	\$ 107,424
Board-designated endowment funds	381,743	-	381,743
Board-designated - MCF	<u>15,387</u>	<u>-</u>	<u>15,387</u>
Total	<u>\$ 397,130</u>	<u>\$ 107,424</u>	<u>\$ 504,554</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2017 Total</u>
Donor-restricted endowment funds	\$ -	106,924	\$ 106,924
Board-designated endowment funds	424,300	-	424,300
Board-designated - MCF	<u>16,359</u>	<u>-</u>	<u>16,359</u>
Total	<u>\$ 440,659</u>	<u>\$ 106,924</u>	<u>\$ 547,583</u>

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 11 – ENDOWMENTS (continued)

Changes in endowment net assets as of December 31, 2018 and 2017 are as follows:

	<u>Unrestricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at December 31, 2016	\$ 379,964	\$ 106,424	\$ 486,388
Contributions	-	500	500
Investment income	23,253	-	23,253
Net appreciation	51,229	-	51,229
Appropriation for expenditures	<u>(13,787)</u>	<u>-</u>	<u>(13,787)</u>
Endowment net assets at December 31, 2017, as reclassified	440,659	106,924	547,583
Contributions	-	500	500
Investment income	25,675	-	25,675
Net depreciation	(55,316)	-	(55,316)
Appropriation for expenditures	<u>(13,888)</u>	<u>-</u>	<u>(13,888)</u>
Endowment net assets at December 31, 2018	<u>\$ 397,130</u>	<u>\$ 107,424</u>	<u>\$ 504,554</u>

NOTE 12 – RELATED PARTY

At December 31, 2018, Big Brothers and Big Sisters of Dane County, Inc. received \$7,834 in donated materials from several board members.

NOTE 13 – LIQUIDITY AND AVAILABILITY

The following table reflects the Big Brothers and Big Sisters of Dane County, Inc. financial assets of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial date because of internal board designations or donor-imposed restrictions.

Financial assets, at year-end	\$ 799,826
Less those unavailable for general expenditures within one year, due to:	
Board designated endowment and MCF	(397,130)
Restricted by donor with purpose restrictions	(130,500)
Restricted by donor with time restrictions of more than one year	(62,000)
Restricted by donor for perpetuity	<u>(107,424)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 102,772</u>

Financial assets at year-end consist of cash, promises to give, investments, and beneficial interest in assets held by MCF.

**BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.**  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 13 – LIQUIDITY AND AVAILABILITY (continued)

As part of Big Brothers and Big Sisters of Dane County, Inc.'s liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity, Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit upon which it can draw as needed (as further discussed in Note 4).

BBBS of Dane County also maintains an Endowment. The purpose of the Endowment is to provide consistent annual distributions to the ongoing operations of Big Brothers and Big Sisters of Dane County, Inc. as well as provide scholarship funds to Littles while preserving principal and financial power of the Endowment. The Endowment consists of:

1. *Unrestricted funds.* The Endowment Fund includes assets designated by the board to function as endowment funds. These funds resulted from past fundraising efforts which yielded funds above those needed to manage the day-to-day operations and were received with no donor restrictions. The Board of Directors can decide at any time to undesignate these funds as endowment funds.

Investments held by the Madison Community Foundation (MCF) are considered unrestricted endowment funds. The assets are controlled by MCF. Donations can be made to BBBS through MCF. MCF determines an annual distribution calculated over 12 quarters and representing 4.5% of the average value of assets in 2018, and 4.25% in 2019.

2. *Restricted Funds.* The Endowment Fund includes donations that have donor-imposed restrictions. These restrictions require the preservation of the original donation principal or have designated the donation to be used for a specific purpose. The Board of Directors may not change the donor restrictions unless expressly granted by the donor.

NOTE 14 – PRIOR PERIOD RESTATEMENT

After issuance of the December 31, 2017 audited financial statements, Big Brothers and Big Sisters of Dane County, Inc. noted several contributions recognized in 2017 that were included in net assets without donor restrictions, but should have been restricted per donor stipulations. As a result, previously reported net assets without donor restrictions at December 31, 2017 were decreased by \$24,000 and net assets with donor restrictions at December 31, 2017 were increased by the same amount. The \$24,000 restatement consisted of \$23,500 that was temporarily restricted and \$500 that was permanently restricted.