BIG BROTHERS BIG SISTERS
OF THE GREATER TWIN CITIES

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2016 AND 2015

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of the Greater Twin Cities
Saint Paul, Minnesota

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Greater Twin Cities, which comprise the balance sheets as of September 30, 2016 and 2015, 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.

Auditors' 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 audits 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 auditors' 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 Big Sisters of the Greater Twin Cities as of September 30, 2016 and 2015, 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.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 17, 2017

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 977,668	$ 1,458,327
Short-Term Investments	1,802,743	1,000,994
Grants Receivable	122,040	65,514
Pledges Receivable, Net	967,855	995,714
Prepaid Expenses and Accrued Interest	107,955	43,172
Total Current Assets	3,978,261	3,563,721
OTHER ASSETS		
Investments	1,761,587	1,598,455
Property and Equipment, Net	70,647	68,607
Community Foundation Holdings	11,435	11,359
Pledges Receivable, Net	186,335	721,537
Security Deposit	5,000	5,000
Total Other Assets	2,035,004	2,404,958
Total Assets	$ 6,013,265	$ 5,968,679
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 68,192	$ 51,654
Accrued Expenses	201,012	269,363
Deferred Rent and Lease Incentive Liability	26,089	34,676
Current Portion of Capital Lease Obligation	5,228	4,811
Total Current Liabilities	300,521	360,504
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	2,851	8,079
Total Liabilities	303,372	368,583
NET ASSETS		
Unrestricted Net Assets:		
Undesignated	2,180,889	1,721,304
Board Designated - Better Futures Campaign	1,770,173	1,708,763
Total Unrestricted	3,951,062	3,430,067
Temporarily Restricted Net Assets	1,683,972	2,095,446
Permanently Restricted Net Assets	74,859	74,583
Total Net Assets	5,709,893	5,600,096
Total Liabilities and Net Assets	$ 6,013,265	$ 5,968,679

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support:				
Contributions	$ 2,287,419	$ 945,979	$ -	$ 3,233,398
Contributions In-Kind	46,012	-	-	46,012
National Affiliation Pass-Through Contributions	44,528	-	-	44,528
United Way - Allocation Support	118,750	356,250	-	475,000
United Way - Designated Gifts	119,455	-	-	119,455
Total Support	2,616,164	1,302,229	-	3,918,393
Special Events:				
Special Event Revenue	363,302	-	-	363,302
Special Events Direct Benefit Expenses	(116,352)	-	-	(116,352)
Total Special Events	246,950	-	-	246,950
Used Goods Transactions:				
Third Party Fundraising Revenue	775,818	-	-	775,818
Clothing and Other Goods Sales	3,178,423	-	-	3,178,423
Less Cost of Goods Sold	(3,045,695)	-	-	(3,045,695)
Total Used Goods Transactions	908,546	-	-	908,546
Other Revenue:				
Grants	404,308	-	-	404,308
Interest and Dividend Income	46,994	6,069	-	53,063
Miscellaneous	2,071	-	-	2,071
Total Other Revenue	453,373	6,069	-	459,442
Total Support and Revenue before Releases	4,225,033	1,308,298	-	5,533,331
Net Assets Released from Restrictions	1,719,772	(1,719,772)	-	-
Total Support and Revenue	5,944,805	(411,474)	-	5,533,331
EXPENSES				
Program Services	2,972,929	-	-	2,972,929
Support Services:				
Management and General	869,668	-	-	869,668
Fundraising	737,133	-	-	737,133
Third Party Fundraising Expense	775,818	-	-	775,818
Volunteer Recruitment	184,748	-	-	184,748
Total Expenses	5,540,296	-	-	5,540,296
CHANGE IN NET ASSETS FROM OPERATIONS	404,509	(411,474)	-	(6,965)
NONOPERATING CHANGE IN NET ASSETS				
Endowment Contributions	-	-	200	200
Unrealized Investment Gains (Losses)	116,477	-	-	116,477
Realized Investment Gains (Losses)	9	-	-	9
Loss on Disposal of Assets	-	-	-	-
Change in Community Foundation Holdings	-	-	76	76
Total Nonoperating Change in Net Assets	116,486	-	276	116,762
CHANGE IN NET ASSETS	520,995	(411,474)	276	109,797
Net Assets - Beginning of Year	3,430,067	2,095,446	74,583	5,600,096
NET ASSETS - END OF YEAR	$ 3,951,062	$ 1,683,972	$ 74,859	$ 5,709,893

See accompanying Notes to Financial Statements.

2015			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 3,518,616	$ 1,480,997	$ -	$ 4,999,613
54,218	-	-	54,218
12,299	-	-	12,299
118,750	356,250	-	475,000
129,771	-	-	129,771
3,833,654	1,837,247	-	5,670,901
368,285	-	-	368,285
(131,345)	-	-	(131,345)
236,940	-	-	236,940
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
568,711	-	-	568,711
32,240	(505)	-	31,735
11,847	-	-	11,847
612,798	(505)	-	612,293
4,683,392	1,836,742	-	6,520,134
1,024,507	(984,507)	(40,000)	-
5,707,899	852,235	(40,000)	6,520,134
2,601,170	-	-	2,601,170
751,221	-	-	751,221
648,871	-	-	648,871
-	-	-	-
151,581	-	-	151,581
4,152,843	-	-	4,152,843
1,555,056	852,235	(40,000)	2,367,291
-	-	1,400	1,400
(36,916)	-	-	(36,916)
(2)	-	-	(2)
100	-	-	100
-	-	(865)	(865)
(36,818)	-	535	(36,283)
1,518,238	852,235	(39,465)	2,331,008
1,911,829	1,243,211	114,048	3,269,088
$ 3,430,067	$ 2,095,446	$ 74,583	$ 5,600,096

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2016

	Program Services	Support Services: Management and General	Support Services: Fund Raising	Support Services: Volunteer Recruitment	Support Services: Total Support Services	Total
Salaries	$ 1,797,565	$ 415,704	$ 522,372	$ 119,558	$ 1,057,634	$ 2,855,199
Employee Benefits	265,244	42,429	52,534	15,079	110,042	375,286
Payroll Taxes	130,203	30,393	36,162	8,724	75,279	205,482
Total Payroll Expense	2,193,012	488,526	611,068	143,361	1,242,955	3,435,967
Professional Fees	161,647	202,637	791,781	1,761	996,179	1,157,826
Background Investigations	27,724	2,084	-	-	2,084	29,808
Supplies	165,649	8,382	1,466	1,332	11,180	176,829
Postage and Delivery	4,277	1,081	7,350	49	8,480	12,757
Communications	14,199	1,322	743	1,088	3,153	17,352
Equipment and Maintenance	22,743	7,315	3,272	1,709	12,296	35,039
Occupancy	222,377	43,959	32,013	16,379	92,351	314,728
Advertising and Marketing	3,066	52,836	2,000	2,230	57,066	60,132
Printing and Publications	10,468	5,074	14,661	1,622	21,357	31,825
Local Travel and Meetings	29,704	16,685	3,583	6,919	27,187	56,891
Training, Seminars and Conventions	18,611	10,123	3,939	871	14,933	33,544
Dues and Subscriptions	1,915	10,840	8,953	1,740	21,533	23,448
Scholarships	16,750	-	-	-	-	16,750
Interest	609	116	87	41	244	853
Insurance	42,770	8,271	6,064	3,051	17,386	60,156
Miscellaneous	4,014	4,069	21,220	265	25,554	29,568
National BBBS Dues	16,240	3,096	2,321	1,107	6,524	22,764
Total Expense Before Depreciation	2,955,775	866,416	1,510,521	183,525	2,560,462	5,516,237
Depreciation Expense	17,154	3,252	2,430	1,223	6,905	24,059
Total Expenses	$ 2,972,929	$ 869,668	$ 1,512,951	$ 184,748	$ 2,567,367	$ 5,540,296
Percent of Total Expenses	53.7%	15.7%	27.3%	3.3%	46.3%	100.0%

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2015

		Support Services				
	Program Services	Management and General	Fund Raising	Volunteer Recruitment	Total Support Services	Total
Salaries	$ 1,503,629	$ 415,437	$ 435,593	$ 89,743	$ 940,773	$ 2,444,402
Employee Benefits	245,788	41,742	44,764	11,366	97,872	343,660
Payroll Taxes	108,838	28,082	31,256	6,596	65,934	174,772
Total Payroll Expense	1,858,255	485,261	511,613	107,705	1,104,579	2,962,834
Professional Fees	180,902	113,273	52,297	848	166,418	347,320
Background Investigations	16,429	2,957	-	-	2,957	19,386
Supplies	130,524	2,558	1,610	6,962	11,130	141,654
Postage and Delivery	5,470	669	4,908	7	5,584	11,054
Communications	17,857	1,672	1,041	973	3,686	21,543
Equipment and Maintenance	21,348	7,243	3,168	1,311	11,722	33,070
Occupancy	221,121	46,204	32,225	13,258	91,687	312,808
Advertising and Marketing	2,653	26,021	-	6,228	32,249	34,902
Printing and Publications	8,291	2,687	10,871	2,833	16,391	24,682
Local Travel and Meetings	26,092	18,180	4,466	6,056	28,702	54,794
Training, Seminars and Conventions	9,708	10,797	927	386	12,110	21,818
Dues and Subscriptions	808	9,863	6,044	664	16,571	17,379
Scholarships	32,500	-	-	-	-	32,500
Interest	861	178	128	53	359	1,220
Insurance	37,429	7,832	5,455	2,245	15,532	52,961
Miscellaneous	1,327	9,729	9,754	249	19,732	21,059
National BBBS Dues	15,536	3,216	2,317	959	6,492	22,028
Total Expense Before Depreciation	2,587,111	748,340	646,824	150,737	1,545,901	4,133,012
Depreciation Expense	14,059	2,881	2,047	844	5,772	19,831
Total Expenses	$ 2,601,170	$ 751,221	$ 648,871	$ 151,581	$ 1,551,673	$ 4,152,843
Percent of Total Expenses	62.6%	18.1%	15.6%	3.7%	37.4%	100.0%

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 109,797	$ 2,331,008
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	24,059	19,831
Realized and Unrealized (Gain) Loss on Investments	(116,486)	36,918
Gain on Disposal of Assets	-	(100)
(Increase) Decrease in Community Foundation Holdings	(76)	865
Permanently Restricted Contributions	(200)	(1,400)
Increase in Allowance for Uncollectible Pledges	12,573	7,374
(Increase) Decrease in Current Assets:		
Grants Receivable	(56,526)	28,630
Pledges Receivable	550,488	(588,614)
Prepaid Expenses and Accrued Interest	(64,783)	30,253
Increase (Decrease) in Current Liabilities:		
Accounts Payable	16,538	13,303
Accrued Expenses	(68,351)	35,304
Deferred Rent	(8,587)	5,442
Net Cash Provided by Operating Activities	398,446	1,918,814
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds Received from Sale of Assets	-	100
Purchase of Property and Equipment	(26,099)	(19,178)
Proceeds Received from Sale of Investments	11,944	546,810
Purchase of Investments	(860,339)	(1,591,456)
Net Cash Used by Investing Activities	(874,494)	(1,063,724)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(4,811)	(4,443)
Permanently Restricted Contributions Received	200	1,400
Net Cash Used by Financing Activities	(4,611)	(3,043)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(480,659)	852,047
Cash and Cash Equivalents - Beginning of Year	1,458,327	606,280
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 977,668	$ 1,458,327
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION		
Interest Paid	$ 853	$ 1,220

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of the Greater Twin Cities (the Agency) is one of the largest affiliates of Big Brothers Big Sisters of America, the largest and longest operating mentoring program in the country. The Agency was incorporated in 2002 under the laws of the state of Minnesota as a nonprofit organization by consolidating Big Brothers Big Sisters of Greater Minneapolis and Big Brothers Big Sisters of Greater St. Paul, Inc., which had been serving the Twin Cities metro area since 1920. The Agency's mission is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever.

The primary activity of the Agency is the creation of long-term friendships for children between the ages of seven and 21 with committed, responsible adult volunteers to promote healthy child development. New mentoring relationships are made in the Community-based program with youth ages eight to 12 and in the Site-based program with youth ages seven to 18 (as Littles and as high school mentors). The Agency is devoted to providing a caring adult in the life of every child who needs or wants one, through the framework of our core values of relationships, inclusion, personal growth, safety and stewardship to:

- Build and support strong healthy relationships with community partners and for all mentors and youth.
- Maintain a culture that is inclusive of all youth, volunteers and staff.
- Provide opportunities and experiences for all youth, volunteers and staff that lead to enriching their lives.
- Make informed decisions and provide tools to ensure the safety of our staff and the youth and volunteers we serve.
- Use resources entrusted to us to create and support positive and strong mentoring relationships.

Financial Statement Presentation

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

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of directors.

Board Designated – The board each year determines an appropriate balance given market conditions, operating requirements and Agency initiatives, and is held as reserve for future use. Some of the Better Futures Campaign net assets at the end of 2016 and 2015 are related to funds raised through the Better Futures Campaign that were unrestricted gifts, a drive to raise funds to enrich services to children, mentor more children, and build the infrastructure to sustain the agency's ability to further its mission in serving children.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted – Net assets subject to donor-imposed restrictions that will be met either by actions of the Agency and/or the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Agency. Income and realized and unrealized gains are expendable to support the activities of the Agency.

Nonoperating activities represent permanently restricted and endowment contributions, realized and unrealized investment gains or losses, gains or losses on the disposal of fixed assets and the change in Community Foundation Holdings.

Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a 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. Contributions of long-lived assets are reported as restricted support only if restricted by the donor.

During the year ended September 30, 2016, the Agency entered into an agreement with a third party whereby the third party will accept donated goods and sell them on behalf of the Agency at certain locations across the Twin Cities. Revenue related to this contract has been included in Contribution revenue on the statement of activities. Expenses of the third party to perform these services have been included in fundraising expense on the statement of activities and are included in professional fees on the statement of functional expenses. See further explanation of the third party agreement in Functional Expenses on page 13. The Agency received varying prices for the goods ranging from $0.016 to $0.035 per pound or $0.020 per item, depending on the classification of the goods.

Cash and Cash Equivalents

Cash and cash equivalents of the Agency are maintained at two financial institutions located in Minnesota. At times the account at one institution exceeds the Federal Deposit Insurance limit of $250,000.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional pledges and grants are not included as support until such time as the conditions are substantially met. Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Pledges and grants that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. The Agency reserves for bad debts using the allowance method which is based on management judgment considering significant patterns of uncollectibility and historical information.

Investments and Fair Value Measurements

Investments in mutual funds and hedge funds are considered held for long term, and recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Donated assets are recorded at fair value at the date of donation. The Agency records the change of ownership of securities on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. In addition, the Agency's investments include limited partnerships that are diversified funds of hedge funds, which are recorded at the fair value of the underlying assets in the limited partnerships. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements.

The Agency at certain times throughout the year holds certificates of deposit at one institution, with interest rates of .19% and .29% and original maturities of 12 months or less. These certificates are brokered, recorded at fair value and classified as short-term investments for the Agency.

The Agency categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (Continued)

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Agency has the ability to access. Level 1 assets of the Agency include certificates of deposit and mutual funds.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Securities valued using Level 3 inputs include funds held on behalf of the Agency at a community foundation. The Agency's securities that are also valued using Level 3 inputs include fund of funds alternative investments.

Property and Equipment

Leasehold improvements, equipment, and furniture and fixtures are stated at cost (capitalization threshold of $2,000) at the date of acquisition or fair market value at date of donation in the case of donated property. 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 property and equipment are recorded as unrestricted. Property and equipment is depreciated over the lives of the assets using the straight-line method. Furniture and equipment is depreciated over an estimated life of five years and computers and peripherals over an estimated life of three years. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset.

Advertising and Marketing

Advertising and marketing costs are expensed when incurred.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management. Fundraising expense on the statement of functional expenses includes $775,818 of third party fundraising expense. The table below details the impact of the third party fundraising expenses on the 2016 functional allocation of expenses including and excluding this amount. The 2015 expenses did not include any third party fundraising expense.

	Total Expenses	Expenses Excluding Third Party Fundraising
Program	54%	63%
Management and General	16%	18%
Fundraising	27%	15%
Volunteer Recruitment	3%	4%

Tax Status

The Agency is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and similar Minnesota Statutes. The Agency is not considered a private foundation and contributions to the Agency are considered tax deductible.

The Agency follows the standard for accounting for uncertainty in income taxes recognized in an organization’s financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Agency files as a tax-exempt organization.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Donated Services and Assets

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through February 17, 2017, the date the financial statements were available to be issued. Subsequent to year end, the Agency received a contribution of $1,656,000 from one donor and $75,000 from another donor.

NOTE 2 PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Unconditional promises to give at September 30 are expected to be realized in the following periods:

	2016	2015
Pledges Receivable	$ 1,199,017	$ 1,813,574
Allowance for Uncollectible Pledges	(20,773)	(8,200)
Net Present Value Discount at 5%	(24,054)	(88,123)
Total	$ 1,154,190	$ 1,717,251
Amounts Due In:		
Less Than One Year	$ 967,855	$ 995,714
One to Five Years	186,335	721,537
Total	$ 1,154,190	$ 1,717,251

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

	2016	2015
Investments:		
Short-Term Investments:		
Certificates of Deposit	$ 1,802,743	$ 1,000,994
Long-Term Investments:		
Stock Mutual Funds	1,119,432	1,002,792
Bond Mutual Funds	581,507	541,719
Real Estate Mutual Funds	47,394	43,211
Hedge Fund of Funds	6,286	7,190
Cash Held for Investment Purposes	6,968	3,543
Total Long-Term Investments	1,761,587	1,598,455
Total Investments	$ 3,564,330	$ 2,599,449

The Agency's investment in a hedge fund of funds is in liquidation. The balance in the hedge funds is recorded at its net asset value. The Agency has elected to receive full redemption which will occur over the next three years.

NOTE 4 FAIR VALUE MEASUREMENTS

The following tables present the fair value hierarchy for the balances of the assets of the Agency measured at fair value on a recurring basis as of September 30:

	2016			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 1,802,743	$ -	$ -	$ 1,802,743
Stock Mutual Funds	1,119,432	-	-	1,119,432
Bond Mutual Funds	581,507	-	-	581,507
Real Estate Mutual Funds	47,394	-	-	47,394
Hedge Fund of Funds	-	-	6,286	6,286
Community Foundation Holdings	-	-	11,435	11,435
Total	$ 3,551,076	$ -	$ 17,721	$ 3,568,797

	2015			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 1,000,994	$ -	$ -	$ 1,000,994
Stock Mutual Funds	1,002,792	-	-	1,002,792
Bond Mutual Funds	541,719	-	-	541,719
Real Estate Mutual Funds	43,211	-	-	43,211
Hedge Fund of Funds	-	-	7,190	7,190
Community Foundation Holdings	-	-	11,359	11,359
Total	$ 2,588,716	$ -	$ 18,549	$ 2,607,265

<u>Level 3 Assets and Liabilities</u>

The following tables provide a summary of changes in fair value of the Agency's Level 3 financial assets for the years ended September 30, 2016 and 2015:

	Hedge Fund of Funds	Community Fund Holdings	Total
Balance as of October 1, 2015	$ 7,190	$ 11,359	$ 18,549
Withdrawals	(904)	-	(904)
Realized Gain	-	-	-
Unrealized Loss	-	-	-
Change in Value of Community Foundation Holdings	-	76	76
Balance as of September 30, 2016	$ 6,286	$ 11,435	$ 17,721

	Hedge Fund of Funds	Community Fund Holdings	Total
Balance as of October 1, 2014	$ 11,199	$ 12,224	$ 23,423
Withdrawals	(4,009)	-	(4,009)
Realized Gain	-	-	-
Unrealized Loss	-	-	-
Change in Value of Community Foundation Holdings	-	(865)	(865)
Balance as of September 30, 2015	$ 7,190	$ 11,359	$ 18,549

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2016	2015
Leasehold Improvements	$ 73,432	$ 73,432
Equipment	331,357	305,259
Furniture and Fixtures	233,294	233,294
Total Property and Equipment	638,083	611,985
Less: Accumulated Depreciation	(567,436)	(543,378)
Property and Equipment - Net	$ 70,647	$ 68,607

NOTE 6 LINE OF CREDIT

The Agency has a $300,000 line of credit agreement with a financial institution. The line expires June 8, 2017 and is subject to renewal on an annual basis. The line requires interest at prime rate plus 1.25% with a floor of 4.0%. The Agency's assets are security for any principal amounts borrowed under the agreement. At September 30, 2016 and 2015, there was $-0- outstanding on the line of credit.

NOTE 7 CAPITAL LEASE

The Agency has capital lease agreements for a postage machine and a copier. The cost of the equipment was $23,380 as of September 30, 2016 and 2015. The accumulated depreciation as of September 30, 2016 and 2015 is $4,092 and $12,163, respectively. The following is a schedule of future minimum payments required under the leases:

Year Ending September 30,	Amount
2017	$ 5,664
2018	2,903
Total Minimum Lease Payments	8,567
Less: Amount Representing Interest	488
Present Value of Minimum Lease Payments	8,079
Less: Current Capital Lease Obligation	5,228
Net Long-Term Capital Lease Obligation	$ 2,851

NOTE 8 OPERATING LEASES

The Agency leases its office space under an operating lease which requires a monthly base rent, plus real estate taxes and operating expenses. The original lease expired in November 2008. In October 2007, the lease was amended to extend maturity to November 2016. In October 2013, the Agency again amended its lease to extend maturity to November 2020. Monthly base rent under the lease ranges from approximately $13,526 to $15,029.

For the years ended September 30, 2016 and 2015, rental expenses were as follows:

	2016	2015
Base Rent Paid on a Straight-Line Basis	$ 186,928	$ 173,634
Real Estate Taxes and Operating Expenses	140,680	128,997
Other Equipment Lease Expense	600	600
Total	$ 328,208	$ 303,231

The future payments on the leases as of September 30, 2016 are as follows:

Year Ending September 30,	Amount
2017	$ 314,701
2018	316,304
2019	319,911
2020	323,518
2021	54,104
Total	$ 1,328,538

NOTE 9 NET ASSETS

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at September 30:

	2016	2015
Program Restricted	$ 1,086,388	$ 974,286
Time Restricted	597,584	1,121,160
Total Temporarily Restricted Net Assets	$ 1,683,972	$ 2,095,446

Net assets released from restrictions were released for the following uses during the years ended September 30:

	2016	2015
Program Restricted	$ 771,142	$ 518,561
Time Restricted	948,630	505,946
Total Assets Released from Restriction	$ 1,719,772	$ 1,024,507

NOTE 9 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

Permanently restricted net assets are restricted for the following purposes at September 30:

	2016	2015
Scholarships	$ 21,740	$ 21,740
Memorial Funds	36,484	36,484
Community Foundation Holdings	11,435	11,359
Other	5,200	5,000
Total Permanently Restricted Net Assets	$ 74,859	$ 74,583

During the year ended September 30, 2015, the Agency released an endowment for $40,000 by following requirements of the Minnesota Attorney General. This release removed $40,000 of the endowment from permanently restricted net assets and $21,365 of earnings from temporarily restricted net assets.

NOTE 10 ENDOWMENT

The Agency's endowment consists of six individual funds established for a variety of purposes. The endowment includes permanent endowments only. Net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Application of Relevant Law

The Agency follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which governs the use of donor-restricted endowment funds for a not-for-profit organization.

The board of directors of the Agency has applied UPMIFA such that, absent donor stipulations to the contrary, donor-restricted endowment fund gifts are preserved at the fair value as of the date of gift. As a result of this application, the Agency classifies as permanently restricted net assets (1) the original value of the gifts to the permanent endowment, (2) the value of subsequent gifts to the permanent endowment, (3) accumulations made pursuant to the direction of the applicable donor gift investment at the time the accumulation is added to the fund, and (4) the portion of the investment return added to the funds to maintain its purchasing power.

NOTE 10 ENDOWMENT (CONTINUED)

Application of Relevant Law (Continued)

Endowment net asset composition by type and changes in endowment net assets for the years ended September 30, 2016 and 2015 is as follows:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 14,288	$ 63,424	$ 77,712

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 8,219	$ 63,224	$ 71,443

The following is a summary of endowment funds subject to UPMIFA for the years ended September 30, 2016 and 2015:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Investments October 1, 2015	$ -	$ 8,219	$ 63,224	$ 71,443
Investment Income	-	6,069	-	6,069
Contributions	-	-	200	200
Endowment Investments September 30, 2016	$ -	$ 14,288	$ 63,424	$ 77,712

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Investments October 1, 2014	$ -	$ 30,089	$ 101,824	$ 131,913
Investment Loss	-	(505)	-	(505)
Contributions	-	-	1,400	1,400
Release from Restriction (see Note 9)	-	(21,365)	(40,000)	(61,365)
Endowment Investments September 30, 2015	$ -	$ 8,219	$ 63,224	$ 71,443

NOTE 10 ENDOWMENT (CONTINUED)

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. There were deficiencies of $-0- as of September 30, 2016 and 2015.

Investment Objectives and Strategies

The Agency has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to manage for consistent total returns with a long-term growth objective, manage with a moderate level of risk, and maintain sufficient diversification of assets. To achieve these objectives, the Agency follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds. An investment advisory committee regularly reviews investment diversification and performance.

NOTE 11 RETIREMENT SAVINGS PLAN

The Agency has a 403(b) retirement savings plan covering all eligible employees. The Agency makes discretionary contributions to the plan. Pension expense was $56,204 and $49,619 for the years ended September 30, 2016 and 2015, respectively.

NOTE 12 CONCENTRATIONS

The Agency received 51% and 43% of its operating support from three donors and two donors for the years ended September 30, 2016 and 2015, respectively.

The Agency's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2016 and 2015, 51% of pledges, were from two and three donors, respectively.

The Agency's government grants receivables are from a limited number of governmental agencies.

NOTE 13 IN-KIND DONATIONS AND SERVICES

The Agency records various types of in-kind support, including certain professional services, materials, and equipment. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or increase in property and equipment.

NOTE 13 IN-KIND DONATIONS AND SERVICES (CONTINUED)

The Agency has recognized contributions for the following, with like amounts included in expenses or property and equipment for the years ended September 30, 2016 and 2015:

	2016	2015
In-Kind Donations and Services:		
Event Tickets	$ 28,816	$ 38,898
Gala Décor	10,340	8,000
Gift Certificates	2,980	4,048
Investment Analysis	10,000	10,000
Services	13,612	7,441
Food and Beverage	6,327	15,300
Supplies	4,947	741
Other	2,866	1,654
Total In-Kind Donations and Services	$ 79,888	$ 86,082
In-Kind Expense Allocation:		
Program Services	$ 33,146	$ 38,182
Management and General	12,866	13,911
Fundraising	33,876	31,864
Volunteer Recruiting	-	2,125
Total In-Kind Expense Allocation	$ 79,888	$ 86,082

In-kind contributions relating to special events in the amount of $33,876 and $31,864 are included in net special event revenue for the years ended September 30, 2016 and 2015, respectively.

NOTE 14 VOLUNTEER SERVICES

The Agency receives a significant amount of services from many unpaid volunteers who support the Agency’s primary programmatic activities and supporting services. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort have not been satisfied. However, volunteers are integral in carrying out the mission of the Agency.

NOTE 15 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America (BBBSA) were $22,764 and $22,028 during the years ended September 30, 2016 and 2015, respectively. For the years ended September 30, 2016 and 2015, the Agency received funding from BBBSA of $44,528 and $12,229, respectively, in the form of pass-through contributions. Pass-through contribution funding is awarded annually from BBBSA to various Big Brothers Big Sisters agencies across the nation.

Board members contributed $347,308 and $443,674 during the years ended September 30, 2016 and 2015, respectively.