BIG BROTHERS BIG SISTERS
OF THE GREATER TWIN CITIES

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

CliftonLarsonAllen LLP
CLAconnect.com

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, 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.

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 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 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.

Board of Directors
Big Brothers Big Sisters of the Greater Twin Cities

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, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 2, 2019

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 678,104	$ 2,648,960
Short-Term Investments	1,994,644	-
Grants Receivable	77,633	117,802
Pledges Receivable, Net	476,431	621,543
Prepaid Expenses and Accrued Interest	154,963	123,893
Total Current Assets	3,381,775	3,512,198
OTHER ASSETS		
Investments	2,016,579	1,953,956
Property and Equipment, Net	155,090	94,369
Community Foundation Holdings	12,347	12,226
Pledges Receivable, Net	-	89,983
Security Deposit	5,000	5,000
Total Other Assets	2,189,016	2,155,534
Total Assets	$ 5,570,791	$ 5,667,732
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 83,107	$ 85,123
Accrued Expenses	190,154	198,155
Deferred Rent and Lease Incentive Liability	18,932	23,011
Deferred Revenue	1,500	5,000
Current Portion of Capital Lease Obligation	4,090	2,851
Total Current Liabilities	297,783	314,140
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	14,507	-
Total Liabilities	312,290	314,140
NET ASSETS		
Unrestricted:		
Undesignated	2,139,726	1,949,333
Board-Designated - Better Futures Campaign	2,073,583	2,041,891
Total Unrestricted	4,213,309	3,991,224
Temporarily Restricted	968,671	1,286,718
Permanently Restricted	76,521	75,650
Total Net Assets	5,258,501	5,353,592
Total Liabilities and Net Assets	$ 5,570,791	$ 5,667,732

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Support:				
Contributions	$ 3,052,737	$ 279,627	$ -	$ 3,332,364
Contributions In-Kind	109,776	-	-	109,776
Special Event Revenue	391,416	-	-	391,416
National Affiliation Pass-Through Contributions	36,975	85,000	-	121,975
United Way - Allocation Support	95,500	285,000	-	380,500
United Way - Designated Gifts	72,262	-	-	72,262
Total Support	3,758,666	649,627	-	4,408,293
Used Goods Transactions:				
Third-Party Fundraising Revenue	855,512	-	-	855,512
Clothing and Other Goods Sales	5,578,172	-	-	5,578,172
Less: Cost of Goods Sold	(5,418,397)	-	-	(5,418,397)
Total Used Goods Transactions	1,015,287	-	-	1,015,287
Other Revenue:				
Grants	414,403	-	-	414,403
Interest and Dividend Income	26,811	2,845	-	29,656
Miscellaneous	543	-	-	543
Total Other Revenue	441,757	2,845	-	444,602
Total Support and Revenue before Releases	5,215,710	652,472	-	5,868,182
Net Assets Released from Restrictions	970,519	(970,519)	-	-
Total Support and Revenue	6,186,229	(318,047)	-	5,868,182
EXPENSES				
Program Services	3,323,233	-	-	3,323,233
Support Services:				
Management and General	904,593	-	-	904,593
Fundraising	782,724	-	-	782,724
Third-Party Fundraising Expense	855,512	-	-	855,512
Volunteer Recruitment	157,710	-	-	157,710
Total Expenses	6,023,772	-	-	6,023,772
CHANGE IN NET ASSETS FROM OPERATIONS	162,457	(318,047)	-	(155,590)
NONOPERATING CHANGE IN NET ASSETS				
Endowment Contributions	-	-	750	750
Unrealized Investment Gains	59,541	-	-	59,541
Realized Investment Gains (Losses)	87	-	-	87
Gain on Disposal of Assets	-	-	-	-
Change in Community Foundation Holdings	-	-	121	121
Total Nonoperating Change in Net Assets	59,628	-	871	60,499
CHANGE IN NET ASSETS	222,085	(318,047)	871	(95,091)
Net Assets - Beginning of Year	3,991,224	1,286,718	75,650	5,353,592
NET ASSETS - END OF YEAR	$ 4,213,309	$ 968,671	$ 76,521	$ 5,258,501

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2018 AND 2017

2017			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 2,432,270	$ 348,985	$ -	$ 2,781,255
52,642	-	-	52,642
292,583	-	-	292,583
331,919	-	-	331,919
95,000	285,000	-	380,000
80,293	-	-	80,293
3,284,707	633,985	-	3,918,692
848,931	-	-	848,931
5,138,391	-	-	5,138,391
(4,985,868)	-	-	(4,985,868)
1,001,454	-	-	1,001,454
407,438	-	-	407,438
49,417	6,825	-	56,242
138	-	-	138
456,993	6,825	-	463,818
4,743,154	640,810	-	5,383,964
1,038,064	(1,038,064)		-
5,781,218	(397,254)	-	5,383,964
3,198,796	-	-	3,198,796
986,556	-	-	986,556
720,914	-	-	720,914
848,931	-	-	848,931
140,181	-	-	140,181
5,895,378	-	-	5,895,378
(114,160)	(397,254)	-	(511,414)
-	-	-	-
154,013	-	-	154,013
(91)	-	-	(91)
400	-	-	400
-	-	791	791
154,322	-	791	155,113
40,162	(397,254)	791	(356,301)
3,951,062	1,683,972	74,859	5,709,893
$ 3,991,224	$ 1,286,718	$ 75,650	$ 5,353,592

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Support Services: Management and General	Support Services: Fund Raising	Support Services: Volunteer Recruitment	Support Services: Total Support Services	Total
Salaries	$ 1,883,959	$ 473,621	$ 458,276	$ 104,371	$ 1,036,268	$ 2,920,227
Employee Benefits	284,653	51,893	42,416	8,656	102,965	387,618
Payroll Taxes	137,614	32,973	31,528	7,788	72,289	209,903
Total Payroll Expense	2,306,226	558,487	532,220	120,815	1,211,522	3,517,748
Professional Fees	214,785	166,007	937,793	4,985	1,108,785	1,323,570
Background Investigations	47,080	2,126	-	-	2,126	49,206
Supplies	237,267	7,203	1,864	3,577	12,644	249,911
Special Event Expenses	-	-	54,008	-	54,008	54,008
Postage and Delivery	3,505	660	5,261	46	5,967	9,472
Communications	20,510	13,470	769	993	15,232	35,742
Equipment and Maintenance	53,225	12,106	8,350	4,216	24,672	77,897
Occupancy	241,404	39,379	28,348	11,698	79,425	320,829
Advertising and Marketing	13,752	29,326	2,864	1,216	33,406	47,158
Printing and Publications	5,907	569	13,637	326	14,532	20,439
Local Travel and Meetings	32,270	30,194	4,199	2,493	36,886	69,156
Training, Seminars, and Conventions	19,794	17,850	14,013	1,140	33,003	52,797
Dues and Subscriptions	2,310	9,647	7,283	779	17,709	20,019
Scholarships	18,000	-	-	-	-	18,000
Interest	591	102	75	33	210	801
Insurance	49,928	8,303	5,660	2,425	16,388	66,316
Miscellaneous	79	-	15,330	137	15,467	15,546
National BBBS Dues	18,835	3,049	2,234	992	6,275	25,110
Total Expense Before Depreciation	3,285,468	898,478	1,633,908	155,871	2,688,257	5,973,725
Depreciation Expense	37,765	6,115	4,328	1,839	12,282	50,047
Total Expenses	$ 3,323,233	$ 904,593	$ 1,638,236	$ 157,710	$ 2,700,539	$ 6,023,772
Percent of Total Expenses	55.2%	15.0%	27.2%	2.6%	44.8%	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, 2017

		Support Services				
	Program Services	Management and General	Fund Raising	Volunteer Recruitment	Total Support Services	Total
Salaries	$ 1,796,809	$ 468,451	$ 427,394	$ 76,105	$ 971,950	$ 2,768,759
Employee Benefits	278,286	54,253	50,961	8,016	113,230	391,516
Payroll Taxes	131,237	33,802	30,036	5,682	69,520	200,757
Total Payroll Expense	2,206,332	556,506	508,391	89,803	1,154,700	3,361,032
Professional Fees	280,698	209,494	900,750	22,098	1,132,342	1,413,040
Background Investigations	36,038	2,253	-	-	2,253	38,291
Supplies	181,648	13,093	806	3,170	17,069	198,717
Special Event Expenses	-	-	62,652	-	62,652	62,652
Postage and Delivery	3,017	627	7,248	114	7,989	11,006
Communications	17,478	7,673	639	627	8,939	26,417
Equipment and Maintenance	48,332	13,757	6,206	2,979	22,942	71,274
Occupancy	235,747	43,337	26,437	8,522	78,296	314,043
Advertising and Marketing	3,699	51,678	728	2,618	55,024	58,723
Printing and Publications	10,895	6,337	14,681	525	21,543	32,438
Local Travel and Meetings	32,378	26,879	2,716	2,853	32,448	64,826
Training, Seminars, and Conventions	12,430	15,715	9,399	1,864	26,978	39,408
Dues and Subscriptions	1,622	12,281	7,282	1,363	20,926	22,548
Scholarships	30,754	-	-	-	-	30,754
Interest	327	59	37	12	108	435
Insurance	48,632	8,911	5,370	1,789	16,070	64,702
Miscellaneous	1,847	9,520	11,324	94	20,938	22,785
National BBBS Dues	18,272	3,295	2,086	688	6,069	24,341
Total Expense Before Depreciation	3,170,146	981,415	1,566,752	139,119	2,687,286	5,857,432
Depreciation Expense	28,650	5,141	3,093	1,062	9,296	37,946
Total Expenses	$ 3,198,796	$ 986,556	$ 1,569,845	$ 140,181	$ 2,696,582	$ 5,895,378
Percent of Total Expenses	54.3%	16.7%	26.6%	2.4%	45.7%	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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (95,091)	$ (356,301)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	50,047	37,946
Realized and Unrealized Gain on Investments	(59,628)	(153,922)
Gain on Disposal of Assets	-	(400)
Increase in Community Foundation Holdings	(121)	(791)
Permanently Restricted Contributions	(750)	-
(Increase) Decrease in Allowance for Uncollectible Pledges	30,102	(9,329)
(Increase) Decrease in Current Assets:		
Grants Receivable	40,169	4,238
Pledges Receivable	204,993	451,993
Prepaid Expenses and Accrued Interest	(31,070)	(15,938)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(2,016)	16,931
Accrued Expenses	(8,001)	(2,857)
Deferred Revenue	(3,500)	5,000
Deferred Rent	(4,079)	(3,078)
Net Cash Provided (Used) by Operating Activities	121,055	(26,508)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds Received from Sale of Assets	-	700
Purchase of Property and Equipment	(90,556)	(61,968)
Proceeds Received from Sale of Investments	4,021,566	3,765,419
Purchase of Investments	(6,019,205)	(2,001,123)
Net Cash Provided (Used) by Investing Activities	(2,088,195)	1,703,028
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(4,466)	(5,228)
Permanently Restricted Contributions Received	750	-
Net Cash Used by Financing Activities	(3,716)	(5,228)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,970,856)	1,671,292
Cash and Cash Equivalents - Beginning of Year	2,648,960	977,668
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 678,104	$ 2,648,960
NONCASH ITEMS		
Property Additions through Capital Leases	$ 20,212	$ -

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 and 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 7 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 8 to 12 and in the site-based program with youth ages 7 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 2018 and 2017 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 accounting principles generally accepted in the United States of America, 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 statements 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 statements 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 note 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 a financial institution located in Minnesota. At times the account 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 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 statements of functional expenses includes $855,512 and $848,931 of third-party fundraising expense for the years ended September 30, 2018 and 2017, respectively. The table below details the impact of the third-party fundraising expenses on the 2018 and 2017 functional allocation of expenses including and excluding this amount.

	2018		2017	
	Total Expenses	Expenses Excluding Third-Party Fundraising	Total Expenses	Expenses Excluding Third-Party Fundraising
Program	55 %	64 %	54 %	63 %
Management and General	15	18	17	20
Fundraising	27	15	27	14
Volunteer Recruitment	3	3	2	3

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 May 2, 2019, the date the financial statements were available to be issued.

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:

	2018	2017
Pledges Receivable	$ 476,431	$ 755,811
Allowance for Uncollectible Pledges	-	(30,102)
Net Present Value Discount at 5%	-	(14,183)
Total	$ 476,431	$ 711,526
Amounts Due In:		
Less Than One Year	$ 476,431	$ 621,543
One to Five Years	-	89,983
Total	$ 476,431	$ 711,526

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

	2018	2017
Investments:		
Short-Term Investments:		
Treasury Bills	$ 1,994,644	$ -
Long-Term Investments:		
Stock Mutual Funds	1,140,149	1,104,253
Bond Mutual Funds	649,764	619,451
Real Estate Mutual Funds	205,022	229,199
Hedge Fund of Funds	-	1,053
Cash Held for Investment Purposes	21,644	-
Total Long-Term Investments	2,016,579	1,953,956
Total Investments	$ 4,011,223	$ 1,953,956

The Agency's investment in a hedge fund of funds has completed liquidation. The balance in the hedge funds was recorded at its net asset value.

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:

	2018			
	Level 1	Level 2	Level 3	Total
Treasury Bills	$ 1,994,644	$ -	$ -	$ 1,994,644
Stock Mutual Funds	1,140,149	-	-	1,140,149
Bond Mutual Funds	649,764	-	-	649,764
Real Estate Mutual Funds	205,022	-	-	205,022
Hedge Fund of Funds	-	-	-	-
Community Foundation Holdings	-	-	12,347	12,347
Total	$ 3,989,579	$ -	$ 12,347	$ 4,001,926

	2017			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ -	$ -	$ -
Stock Mutual Funds	1,104,253	-	-	1,104,253
Bond Mutual Funds	619,451	-	-	619,451
Real Estate Mutual Funds	229,199	-	-	229,199
Hedge Fund of Funds	-	-	1,053	1,053
Community Foundation Holdings	-	-	12,226	12,226
Total	$ 1,952,903	$ -	$ 13,279	$ 1,966,182

Level 3 Assets and Liabilities

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:

	2018		
	Hedge Fund of Funds	Community Fund Holdings	Total
Balance - Beginning of Year	$ 1,053	$ 12,226	$ 13,279
Withdrawals	(1,053)	-	(1,053)
Change in Value of Community Foundation Holdings	-	121	121
Balance - End of Year	$ -	$ 12,347	$ 12,347

	2017		
	Hedge Fund of Funds	Community Fund Holdings	Total
Balance - Beginning of Year	$ 6,286	$ 11,435	$ 17,721
Withdrawals	(5,233)	-	(5,233)
Change in Value of Community Foundation Holdings	-	791	791
Balance - End of Year	$ 1,053	$ 12,226	$ 13,279

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2018	2017
Leasehold Improvements	$ 73,432	$ 73,432
Equipment	372,748	313,780
Furniture and Fixtures	261,714	233,294
Total Property and Equipment	707,894	620,506
Less: Accumulated Depreciation	(552,804)	(526,137)
Property and Equipment - Net	$ 155,090	$ 94,369

NOTE 6 LINE OF CREDIT

The Agency has a $300,000 line of credit agreement with a financial institution. The line expires July 20, 2019 and is subject to renewal on an annual basis. The line requires interest at prime rate plus 0.5% with a floor of 4.5%. The Agency's assets are security for any principal amounts borrowed under the agreement. At September 30, 2018 and 2017, there was $-0- outstanding on the line of credit.

NOTE 7 CAPITAL LEASE

The Agency entered into new capital lease agreements for a postage machine and two copiers during 2018 as the previous leases matured during the year. The cost of the equipment was $20,212 and $23,380 as of September 30, 2018 and 2017, respectively. The accumulated depreciation as of September 30, 2018 and 2017 is $1,640 and $21,228, respectively. The following is a schedule of future minimum payments required under the leases:

Year Ending September 30,	Amount
2019	$ 5,340
2020	5,341
2021	4,281
2022	3,928
2023	2,621
Total Minimum Lease Payments	21,511
Less: Amount Representing Interest	2,914
Present Value of Minimum Lease Payments	18,597
Less: Current Capital Lease Obligation	4,090
Net Long-Term Capital Lease Obligation	$ 14,507

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 $13,526 to $15,029. The Agency also leases a server that requires monthly payments of $708 and expires September 2020.

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

	2018	2017
Base Rent Paid on a Straight-Line Basis	$ 181,887	$ 181,109
Real Estate Taxes and Operating Expenses	141,871	141,270
Other Equipment Lease Expense	600	600
Total	$ 324,358	$ 322,979

The future payments on the leases as of September 30, 2018 are as follows:

Year Ending September 30,	Amount
2019	$ 327,965
2020	323,518
2021	54,103
Total	$ 705,586

NOTE 9 NET ASSETS

Temporarily Restricted Net Assets

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

	2018	2017
Program Restricted	$ 663,671	$ 885,359
Time Restricted	305,000	401,359
Total Temporarily Restricted Net Assets	$ 968,671	$ 1,286,718

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

	2018	2017
Program Restricted	$ 569,389	$ 527,961
Time Restricted	401,130	510,103
Total Assets Released from Restriction	$ 970,519	$ 1,038,064

NOTE 9 NET ASSETS (CONTINUED)

Permanently Restricted Net Assets

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

	2018	2017
Scholarships	$ 21,740	$ 21,740
Memorial Funds	37,234	36,484
Community Foundation Holdings	12,347	12,226
Other	5,200	5,200
Total Permanently Restricted Net Assets	$ 76,521	$ 75,650

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 nonprofit 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.

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 21,958	$ 64,174	$ 86,132

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted Endowment Funds	$ -	$ 21,113	$ 63,424	$ 84,537

NOTE 10 ENDOWMENT (CONTINUED)

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

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Investments - Beginning of Year	$ -	$ 21,113	$ 63,424	$ 84,537
Investment Income	-	2,845	-	2,845
Contributions	-	-	750	750
Appropriations	-	(2,000)	-	(2,000)
Endowment Investments - End of Year	$ -	$ 21,958	$ 64,174	$ 86,132

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Investments - Beginning of Year	$ -	$ 14,288	$ 63,424	$ 77,712
Investment Income	-	6,825	-	6,825
Contributions	-	-	-	-
Endowment Investments - End of Year	$ -	$ 21,113	$ 63,424	$ 84,537

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, 2018 and 2017.

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 $54,274 and $54,033 for the years ended September 30, 2018 and 2017, respectively.

NOTE 12 CONCENTRATIONS

The Agency received 30% and 39% of its operating support from one donor and two donors for the years ended September 30, 2018 and 2017, respectively. One of these donors is the employer or a member of the board.

The Agency's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2018 and 2017, 81% and 26% of pledges, are from two donors and one donor, 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.

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

	2018	2017
In-Kind Donations and Services:		
Event Tickets	$ 97,438	$ 42,730
B/C Donations	216	-
Gift Certificates	1,625	841
Investment Analysis	-	2,500
Services	9,363	15,646
Food and Beverage	-	500
Supplies	5,572	6,748
Other	1,900	876
Total In-Kind Donations and Services	$ 116,114	$ 69,841
In-Kind Expense Allocation:		
Program Services	$ 106,790	$ 46,455
Management and General	2,986	6,187
Fundraising	6,338	17,199
Total In-Kind Expense Allocation	$ 116,114	$ 69,841

In-kind contributions relating to special events in the amount of $6,338 and $17,199 are included in net special event revenue for the years ended September 30, 2018 and 2017, 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 statements 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 $25,111 and $24,341 during the years ended September 30, 2018 and 2017, respectively. For the years ended September 30, 2018 and 2017, the Agency received funding from BBBSA of $121,975 and $331,919, 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 $198,016 and $109,521 during the years ended September 30, 2018 and 2017, respectively. Also see Note 12.

NOTE 16 SUBSEQUENT EVENTS

On April 11, 2019, the Agency closed on the purchase of a building with a total purchase price of $1,680,000. The building will be renovated to house their new office locations over the course of 2019. As of May 2, 2019, no construction or architect contracts had been signed; however, the intention is that renovations will start in 2019. The purchase of the building was funded through issuance of a mortgage in the amount of $1,304,000, issued at closing on April 11, 2019. The mortgage has a fixed interest rate of 5.62%. Interest only payments are due monthly starting May 3, 2019. Final payment of the full mortgage principal and last interest payment is due April 3, 2021. The remaining purchase costs were paid in cash at closing.

Subsequent to year-end, the Agency also received a contribution of $1,738,800 from one donor.