

BIG BROTHERS BIG SISTERS OF ALASKA

FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Alaska

We have audited the accompanying financial statements of Big Brothers Big Sisters of Alaska (BBBSAK) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 BBBSAK as of December 31, 2015 and 2014, 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.



June 8, 2016

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (including board designation of \$103,966 and \$103,810 for 2015 and 2014, respectively)	\$ 168,739	\$ 140,092
Accounts receivable:		
Current portion of pledges receivable, net	52,372	77,807
Grants (net an allowance of \$-0- and \$255,813 for 2015 and 2014, respectively)	65,892	102,655
United Way	80,979	97,156
Other	25,953	949
Prepaid expenses	<u>33,446</u>	<u>19,987</u>
Total current assets	427,381	438,646
RESTRICTED - CASH AND CASH EQUIVALENTS	<u>8,169</u>	<u>8,169</u>
INVESTMENTS		
Restricted	1,000	1,000
Unrestricted (including board designation of \$45,298 and \$60,049 for 2015 and 2014, respectively)	<u>45,461</u>	<u>60,202</u>
Total investments	<u>46,461</u>	<u>61,202</u>
PLEDGES RECEIVABLE, LONG-TERM, net	40,180	41,862
OTHER ASSETS	<u>5,056</u>	<u>5,056</u>
Total assets	<u>\$ 527,247</u>	<u>\$ 554,935</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 51,044	\$ 40,416
Payroll related liabilities	14,925	17,015
Accrued leave	39,125	29,139
Deferred revenue	10,915	14,840
Line of credit	<u>97,386</u>	<u>97,386</u>
Total current liabilities	<u>213,395</u>	<u>198,796</u>
NET ASSETS		
Unrestricted:		
Board designated for future use	149,264	163,859
Undesignated	<u>62,867</u>	<u>63,442</u>
Total unrestricted net assets	212,131	227,301
Temporarily restricted net assets	92,552	119,669
Permanently restricted net assets	<u>9,169</u>	<u>9,169</u>
Total net assets	<u>313,852</u>	<u>356,139</u>
Total liabilities and net assets	<u>\$ 527,247</u>	<u>\$ 554,935</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Affiliate - For the Kids Foundation	\$ 176,000	\$ -	\$ -	\$ 176,000
Individual donors	72,810	102,853	-	175,663
Corporate donors	171,260	123,017	-	294,277
Special event contributions	30,526	115,973	-	146,499
United Way	191,093	-	-	191,093
In-kind contributions	77,943	-	-	77,943
Grants:				
Federal government	280,177	-	-	280,177
State of Alaska	435,154	-	-	435,154
Local governments	92,285	-	-	92,285
Gaming	61,616	-	-	61,616
Investment income, net	2,202	-	-	2,202
Other	15	-	-	15
	<u>1,591,081</u>	<u>341,843</u>	<u>-</u>	<u>1,932,924</u>
Net assets released from restriction -				
Satisfaction of time restriction - pledges receivable	368,960	(368,960)	-	-
	<u>1,960,041</u>	<u>(27,117)</u>	<u>-</u>	<u>1,932,924</u>
EXPENSES - DIRECT				
Program services	1,455,691	-	-	1,455,691
Supporting services:				
General and administrative	154,945	-	-	154,945
Fundraising	286,632	-	-	286,632
EXPENSES - IN-KIND				
Program services	2,256	-	-	2,256
Supporting services -				
Fundraising	75,687	-	-	75,687
	<u>1,975,211</u>	<u>-</u>	<u>-</u>	<u>1,975,211</u>
Change in net assets	(15,170)	(27,117)	-	(42,287)
NET ASSETS, beginning of year	<u>227,301</u>	<u>119,669</u>	<u>9,169</u>	<u>356,139</u>
NET ASSETS, end of year	<u>\$ 212,131</u>	<u>\$ 92,552</u>	<u>\$ 9,169</u>	<u>\$ 313,852</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Affiliate - For the Kids Foundation	\$ 251,092	\$ -	\$ -	\$ 251,092
Individual donors	75,703	140,649	-	216,352
Corporate donors	236,280	96,145	-	332,425
Special event contributions	4,601	175,753	-	180,354
United Way	228,515	-	-	228,515
In-kind contributions	74,821	-	-	74,821
Grants:				
Federal government	396,880	-	-	396,880
State of Alaska	378,981	-	-	378,981
Local governments	115,536	-	-	115,536
Gaming	71,953	-	-	71,953
Investment income, net	5,302	-	-	5,302
Other	250	-	-	250
	<u>1,839,914</u>	<u>412,547</u>	<u>-</u>	<u>2,252,461</u>
Total revenues, gains, and other support				
Net assets released from restriction -				
Satisfaction of time restriction - pledges receivable	501,803	(501,803)	-	-
	<u>2,341,717</u>	<u>(89,256)</u>	<u>-</u>	<u>2,252,461</u>
Total revenues, gains, other support, and net assets released from restriction				
EXPENSES - DIRECT				
Program services	1,674,351	-	-	1,674,351
Supporting services:				
General and administrative	133,637	-	-	133,637
Fundraising	416,162	-	-	416,162
EXPENSES - IN-KIND				
Program services	13,563	-	-	13,563
Supporting services -				
Fundraising	61,258	-	-	61,258
	<u>2,298,971</u>	<u>-</u>	<u>-</u>	<u>2,298,971</u>
Total expenses				
Change in net assets before extraordinary item	42,746	(89,256)	-	(46,510)
EXTRAORDINARY ITEM - BBBS grants receivable adjustment				
	(255,813)	-	-	(255,813)
Change in net assets	(213,067)	(89,256)	-	(302,323)
NET ASSETS, beginning of year				
	440,368	208,925	9,169	658,462
NET ASSETS, end of year				
	<u>\$ 227,301</u>	<u>\$ 119,669</u>	<u>\$ 9,169</u>	<u>\$ 356,139</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2015

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 1,010,960	\$ 83,055	\$ 171,963	\$ 1,265,978
Professional fees	166,665	58,351	-	225,016
Facilities	146,751	47	13,999	160,797
Special events expense	-	-	41,294	41,294
Gaming expenses	-	-	28,770	28,770
Insurance	26,231	988	-	27,219
Dues and subscriptions	20,943	-	4,976	25,919
Travel	18,089	2,825	976	21,890
Agency activities and screening	20,795	-	82	20,877
Uncollectible pledges	-	-	18,603	18,603
Advertising	16,480	-	931	17,411
Office	14,871	33	1,680	16,584
Equipment	12,258	-	1,233	13,491
Other expenses	1,648	9,646	2,125	13,419
Total direct expenses	<u>1,455,691</u>	<u>154,945</u>	<u>286,632</u>	<u>1,897,268</u>
IN-KIND EXPENSES				
Office and supplies	-	-	41,837	41,837
Advertising	-	-	33,850	33,850
Agency activities	2,256	-	-	2,256
Total in-kind expenses	<u>2,256</u>	<u>-</u>	<u>75,687</u>	<u>77,943</u>
Total expenses	<u>\$ 1,457,947</u>	<u>\$ 154,945</u>	<u>\$ 362,319</u>	<u>\$ 1,975,211</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2014

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 1,184,489	\$ 102,141	\$ 267,951	\$ 1,554,581
Professional fees	179,868	22,306	-	202,174
Facilities	147,005	-	15,169	162,174
Special events expense	-	-	64,870	64,870
Gaming expenses	-	-	33,872	33,872
Agency activities and screening	31,142	-	205	31,347
Insurance	28,529	1,186	-	29,715
Travel	24,979	2,845	488	28,312
Dues and subscriptions	21,166	50	3,621	24,837
Uncollectable pledges	-	-	23,175	23,175
Office	16,893	207	4,996	22,096
Advertising	18,718	-	487	19,205
Equipment	13,977	-	693	14,670
Other expenses	7,585	4,902	635	13,122
Total direct expenses	<u>1,674,351</u>	<u>133,637</u>	<u>416,162</u>	<u>2,224,150</u>
IN-KIND EXPENSES				
Office and supplies	1,081	-	35,710	36,791
Advertising	7,445	-	25,048	32,493
Travel	2,502	-	250	2,752
Agency activities	2,410	-	-	2,410
Rent	-	-	250	250
Recruitment	125	-	-	125
Total in-kind expenses	<u>13,563</u>	<u>-</u>	<u>61,258</u>	<u>74,821</u>
Total expenses	<u>\$ 1,687,914</u>	<u>\$ 133,637</u>	<u>\$ 477,420</u>	<u>\$ 2,298,971</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets before extraordinary item	\$ (42,287)	\$ (46,510)
Adjustments to reconcile change in net assets before extraordinary item to net cash provided by (used for) operating activities:		
Donated stock	(1,964)	(5,738)
Unrealized (gain) loss on investments, net	568	(4,894)
Uncollectible pledges	18,603	23,175
(Increase) decrease in assets:		
Pledges receivable (current and long-term)	8,514	(12,219)
Grants receivable	36,763	(85,642)
United Way and other receivables	(8,827)	14,541
Prepaid expenses	(13,459)	5,295
Increase (decrease) in liabilities:		
Accounts payable	10,628	111
Payroll related liabilities	(2,090)	(4,988)
Accrued leave	9,986	(13,280)
Deferred revenue	(3,925)	(57,950)
Net cash provided by (used for) operating activities	<u>12,510</u>	<u>(188,099)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(1,039)	-
Sale of investments	17,176	77,714
Net cash provided by investing activities	<u>16,137</u>	<u>77,714</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	37,428
Net cash provided by financing activities	<u>-</u>	<u>37,428</u>
Change in cash and cash equivalents	28,647	(72,957)
Cash and cash equivalents at beginning of year	148,261	221,218
Cash and cash equivalents at end of year	<u>\$ 176,908</u>	<u>\$ 148,261</u>
NON-CASH INVESTING ACTIVITY - Receipt of donated stock	<u>\$ 1,964</u>	<u>\$ 5,738</u>
SUPPLEMENTAL INFORMATION - Interest paid	<u>\$ 4,950</u>	<u>\$ 4,102</u>

The accompanying notes to financial statements are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2015 and 2014

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Alaska (BBBSAK or the Organization) is a nonprofit community organization dedicated to providing mentoring relationships between children and adults that provide a direct, measurable and lasting impact on children's lives. BBBSAK is affiliated with Big Brothers Big Sisters of America and serves the State of Alaska. A board of directors governs BBBSAK's activities.

Basis of Accounting

The financial statements of BBBSAK have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements* and 958-210-45-1 *Other Presentation Matters*. Under FASB ASC 958-210-45-1, BBBSAK is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets are net assets that are not subject to donor-imposed stipulations or restrictions. Temporarily restricted net assets represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the organization or by the passage of time. Permanently restricted net assets represent resources whose use is limited by donor-imposed restrictions that require the net assets to be maintained permanently. Temporarily and permanently restricted net assets are described further in Note 8.

Income Taxes

BBBSAK is a nonprofit organization that is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. BBBSAK is not classified as a private foundation. The Organization sells pull tabs to help fund its mentoring services, the revenue from which is subject to unrelated business income tax to the extent that revenues are not used for allowable expenditures as required under state gaming regulations. At December 31, 2015 and 2014, BBBSAK recorded tax expense of \$-0- and \$-0-, respectively, on this unrelated business activity.

BBBSAK follows the provisions of FASB ASC 740 *Income Taxes*, and management believes it has appropriate support for any tax positions taken. The Organization's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BBBSAK considers the balances in its demand deposit and savings accounts, money market funds, prepaid credit cards and petty cash to be cash and cash equivalents. BBBSAK follows the requirements that gaming cash be maintained in a separate bank account.

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Cash and Cash Equivalents and Investments

Restricted cash and cash equivalents and investments are restricted by donors for long-term purposes. Restricted cash and cash equivalents is comprised of Lanie's Fund. Restricted investments are certificates of deposit equal to the permanently restricted Fairbanks endowment. Restrictions are described further in Note 8.

Investments

BBBSAK carries investments in marketable securities at their fair values in the statements of financial position. The Organization's investments are comprised of available-for-sale securities, including stocks, and shares in a mutual fund that invests primarily in preferred stocks and equity securities. Donated investments are initially recorded at their fair market value on the date of donation. BBBSAK also has long-term certificates of deposit, valued at cost which approximates fair value. Unrealized gains and losses are included in the change in net assets.

Grants Receivable

Grants receivable are reported net of an allowance for bad debt expense, which is estimated by management based on expected collectability of grants receivable.

Pledges Receivable

Pledges receivable are stated at the pledged value, less a discount and an allowance for uncollectible pledges which is estimated by management based on expected collectability of pledges receivable (see Note 4).

Equipment

Equipment consists primarily of computers and other office equipment. Purchased equipment is carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is calculated by the straight-line method over the useful lives of the assets. BBBSAK capitalizes all expenditures for equipment in excess of \$5,000. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. All equipment was fully depreciated for the years ended December 31, 2015 and 2014.

Compensated Absences

All permanent employees accrue paid time-off (leave) from their date of hire. Employees are allowed to carry up to 180 hours of unused personal leave at any one time. An employee forfeits unused hours in excess of this amount. The cost of personal leave pay is recognized in the financial statements as it is accrued. Unused personal leave at termination is compensated in the form of a lump sum payment.

Contributions and Promises to Give

Contributions are recorded in the statements of activities when received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

BBBSAK reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Contributions that are received and for which donor restrictions expire in the same period are recorded as unrestricted support.

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions and Promises to Give, continued

Unconditional promises to give (pledges) are recognized as revenue in the period in which the promises are made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefits to be received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue Recognition – Contracts and Grants

BBBSAK follows the guidance of FASB ASC 958-605, *Revenue Recognition*, to determine whether its federal, state, local, or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements.

Contracts and grants that are unrestricted are recorded as revenue in the statements of activities when earned. Exchange transactions with a grantor or other outside party for a particular purpose are deemed to be earned and reported as revenue when BBBSAK has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

Donated Services and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by BBBSAK.

Contributed materials are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as restricted contributions.

Functional Allocation of Expenses

The cost of providing BBBSAK's various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. BBBSAK uses grant costing as its basis for allocating costs among program and administrative categories.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value Measurement

BBBSAK follows FASB ASC 820 *Fair Value Measurements*, which provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

BBBSAK's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 – INVESTMENTS

BBBSAK's investments are stated at fair value.

Cost and fair value of investments at December 31, 2015 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Open end mutual funds	\$ 36,101	\$ 2,417	\$ 38,518
Stocks	6,217	563	6,780
Certificates of deposit	<u>1,163</u>	<u>-</u>	<u>1,163</u>
Total	<u>\$ 43,481</u>	<u>\$ 2,980</u>	<u>\$ 46,461</u>

Cost and fair value of investments at December 31, 2014 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Open end mutual funds	\$ 35,073	\$ 2,993	\$ 38,066
Stocks	14,416	7,567	21,983
Certificates of deposit	<u>1,153</u>	<u>-</u>	<u>1,153</u>
Total	<u>\$ 50,642</u>	<u>\$ 10,560</u>	<u>\$ 61,202</u>

Investment income of \$2,202 and \$5,302, reported in the statements of activities for the years ended December 31, 2015 and 2014, respectively, consists of interest, dividends and realized and unrealized gains and losses earned on the above investments and cash accounts.

NOTE 3 – FAIR VALUE MEASUREMENT

FASB ASC 820 *Fair Value Measurements* defines fair value as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. FASB ASC 820 also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets or liabilities. The three levels include Level 1 (quoted prices in active markets for identical assets), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs). BBBSAK uses Level 1 inputs to measure the fair value of assets on a recurring basis.

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	<u>Level 1</u>	<u>Total</u>
Open end mutual funds	\$ 38,518	\$ 38,518
Stocks	<u>6,780</u>	<u>6,780</u>
Total investments measured at fair value	<u>\$ 45,298</u>	45,298
Certificates of deposit measured at cost which approximates fair value		<u>1,163</u>
Total		<u>\$ 46,461</u>

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 – FAIR VALUE MEASUREMENT (continued)

Fair values of assets measured on a recurring basis at December 31, 2014 are as follows:

	<u>Level 1</u>	<u>Total</u>
Open end mutual funds	\$ 38,066	\$ 38,066
Stocks	<u>21,983</u>	<u>21,983</u>
Total investments measured at fair value	<u>\$ 60,049</u>	60,049
Certificates of deposit measured at cost which approximates fair value		<u>1,153</u>
Total		<u>\$ 61,202</u>

NOTE 4 – UNCONDITIONAL PROMISES TO GIVE RECEIVABLE

Unconditional promises to give (pledges receivable) at December 31 are as follows:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 68,872	\$ 101,714
Receivable in one to five years	<u>52,222</u>	<u>58,813</u>
Gross unconditional promises to give	121,094	160,527
Less discounts to net present value*	(4,855)	(7,758)
Less allowance for uncollectible pledges receivable	<u>(23,687)</u>	<u>(33,100)</u>
Net unconditional promises to give	<u>\$ 92,552</u>	<u>\$ 119,669</u>

Reconciliation to net pledges receivable reported on the statements of financial position at December 31:

	<u>2015</u>	<u>2014</u>
Receivable in less than one year	\$ 68,872	\$ 101,714
Less allowance for uncollectible pledges receivable	<u>(16,500)</u>	<u>(23,907)</u>
Net current portion of pledges receivable	<u>\$ 52,372</u>	<u>\$ 77,807</u>
	<u>2015</u>	<u>2014</u>
Receivable in one to five years	\$ 52,222	\$ 58,813
Less discount to net present value*	(4,855)	(7,758)
Less allowance for uncollectible pledges receivable	<u>(7,187)</u>	<u>(9,193)</u>
Net long-term portion of pledges receivable	<u>\$ 40,180</u>	<u>\$ 41,862</u>

*Long-term pledges receivable are discounted at 5% of present value.

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – EQUIPMENT

Fixed assets consist of the following at December 31:

	2015	2014
Equipment	\$ 125,231	\$ 125,231
Accumulated depreciation	(125,231)	(125,231)
	\$ -	\$ -

Fixed assets became fully depreciated in 2009. Depreciation expense was \$-0- and \$-0-, for the years ended December 31, 2015 and 2014, respectively.

NOTE 6 – LINE OF CREDIT

At December 31, 2015 and 2014, BBBSAK had a revolving line of credit with a bank, which expires May 5, 2016. BBBSAK may borrow up to a total of \$100,000 under the credit agreement. Borrowings under the agreement bear interest at the greater of the prime rate set by the bank or 5% (5% at December 31, 2015), and BBBSAK maintains an account with a minimum \$100,000 compensating balance at the bank. Interest expense was \$4,950 and \$4,102 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, \$97,386 and \$97,386 was outstanding under this revolving line of credit, respectively.

NOTE 7 – RETIREMENT PLAN

BBBSAK offers a tax deferred retirement plan to all employees under a Thrift Plan, as allowed by the Internal Revenue Service code section 403(b). The Thrift Plan allows all employees to make contributions up to prescribed limits. Participants over 18 years of age who have completed one year of service for BBBSAK are eligible to receive employer contributions. Prior to August 1, 2011, BBBSAK contributed 3% of eligible participants' compensation to the plan. As of August 1, 2011, employer contributions to the plan are discretionary. For the years ended December 31, 2015 and 2014, contribution expense totaled \$-0- and \$-0-, respectively.

NOTE 8 – NET ASSETS

Board Designated

Net assets designated by the board for future uses consist of amounts held in money market and investment accounts in the amount of \$149,264 and \$163,859 for 2015 and 2014, respectively. Funds may not be moved out of these accounts without specific authority by the board of directors. The purpose for these funds has not yet been determined.

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS

NOTE 8 – NET ASSETS (continued)

Temporarily Restricted

Net assets temporarily restricted are as follows at December 31:

	2015	2014
Pledges receivable	\$ 92,552	\$ 119,669

Permanently Restricted

Net assets permanently restricted by the donor are as follows at December 31:

	2015	2014
An endowment (Lanie’s Fund) established at BBBS-Anchorage	\$ 8,169	\$ 8,169
Donation for an endowment fund for BBBS-Fairbanks	1,000	1,000
Total permanently restricted net assets	\$ 9,169	\$ 9,169

NOTE 9 – IN-KIND EXPENSE

Contributions of goods are valued at market rates that are generally provided by the donor. In fiscal years 2015 and 2014 in-kind contributions of \$77,943 and \$74,821, respectively, were recognized as revenue and expense.

Many individuals volunteer their time and perform a variety of tasks that assist BBBSAK with specific assistance programs, campaign solicitations, and various committee assignments. The majority of BBBSAK’s volunteers serve as mentors, and in fiscal years 2015 and 2014 mentors donated approximately 61,760 and 73,980 hours of their time, respectively. These donated services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605-25-16 have not been met.

NOTE 10 – RELATED PARTY TRANSACTIONS

In 1998, individuals involved with Big Brothers Big Sisters of Anchorage, Inc. (BBBSA) created For the Kids Foundation, Inc. (the Foundation) to serve as a fundraising support organization to BBBSA. On August 1, 2007 the Alaskan Big Brothers Big Sisters entities merged and BBBSA is now part of BBBSAK. The Foundation’s enabling documents provide that it contribute its operating cash flow, net of expenses, capital and debt service outlays and a reasonable provision of reserves to BBBSA prior to the merger and to BBBSAK subsequent to the merger. The CEO of BBBSAK is the CEO of the Foundation, and the Foundation is governed by a board of directors independent of BBBSAK. The Foundation’s board of directors monitors contributions to BBBSAK.

For the years ended December 31, 2015 and 2014 BBBSAK received \$176,000 and \$251,092 from the Foundation, respectively. BBBSAK provides administrative support to the Foundation for a fee equal to BBBSAK’s cost. The amounts received from the Foundation consist of \$161,938 and \$238,337 in contributions, and \$14,062 and \$12,755 in administrative expenses, for the years ended December 31, 2015 and 2014, respectively.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 10 – RELATED PARTY TRANSACTIONS (continued)

A board member of BBBSAK pledged \$130,500 to BBBSAK during the year ended December 31, 2010. This contribution was received in fiscal year 2011, and was to be released from restriction over ten years. During fiscal year 2014, the board member released the time restriction on the pledge. As of December 31, 2014, the amount released from restriction was \$78,300.

NOTE 11 – LEASES

Operating Leases

BBBSAK conducts its administrative operations from a leased facility. Lease payments for this facility were \$4,665 per month in fiscal year 2015. The Organization also has several month-to-month leases, or leases that renew annually, for the rental of office space at its various locations throughout Alaska. Lease expense for all of BBBSAK's locations totaled \$123,566 and \$123,161 for the years ended December 31, 2015 and 2014, respectively. The following is a schedule of future minimum lease payments under operating leases at December 31, 2015:

Year Ending December 31:	
2016	\$ 17,250
2017	<u>6,500</u>
	<u>\$ 23,750</u>

In addition to its office leases, BBBSAK also has leases for its copiers.

NOTE 12 – CONCENTRATIONS

Depository Concentration

BBBSAK has concentrated its credit risk for cash by maintaining deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (FDIC). BBBSAK has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

Government Grant Revenue

BBBSAK receives a substantial amount of its support from federal and state grants. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

For the Kids Foundation

In 2015 and 2014, BBBSAK received 9.5% and 11.5%, respectively, of its revenues and public support, excluding in-kind, from the Foundation. The Foundation's income is derived primarily from its pickup service in which it collects donated items and re-sells them to a retail thrift store operator. Under the terms of the Foundation's annual contract for resale of donated goods, the Foundation is precluded from selling to other buyers.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 12 – CONCENTRATIONS (continued)

Promises to Give Receivable (Pledges)

Financial instruments that potentially subject BBBSAK to concentrations of credit risk consist principally of promises to give receivable. Concentration of credit risk with respect to promises to give receivable is limited due to the large number of contributors comprising BBBSAK's contributor base and their dispersion across different industries. As of December 31, 2015 and 2014, BBBSAK had net promises to give receivable of \$92,552 and \$119,669, respectively. If these amounts become uncollectible it would have a negative impact on BBBSAK's operations.

Market Value Risk

BBBSAK also invests funds in professionally managed mutual funds that contain various types of marketable securities as well as stock. Such investments are exposed to various risks, such as fluctuations in market value and credit risk. Thus, it is at least reasonably possible that changes in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grant Revenue and Receivables

Amounts received or receivable under grant programs from the federal government or State of Alaska are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although BBBSAK expects such amounts, if any, to be immaterial.

Fundraising Revenue

In 2015 BBBSAK received sponsorship revenue for its 2016 Bowl For Kids Sake fundraiser. The Organization does not expect to cancel the fundraiser; however, if this were to occur, BBBSAK may be required to return the sponsorship revenue.

Gaming Revenue

BBBSAK receives gaming revenue that must be used for specific purposes to not be considered taxable income. The Organization has used all of its gaming revenue for an allowable purpose, and the amount, if any, considered to be taxable is expected to be immaterial.

NOTE 14 – EXTRAORDINARY ITEM – BBBS GRANTS RECEIVABLE ADJUSTMENT

BBBSAK had grants receivable from Big Brothers Big Sisters of America (BBBS) for services performed to BBBS on its federal grants in fiscal years 2013 and 2014. BBBS was audited by its federal awarding agency, and did not reimburse BBBSAK for eligible grant expenses incurred for these years due to findings identified in BBBS' federal audit. Because of this, management believed it was unlikely that BBBSAK would collect all amounts owed it, and in fiscal year 2014 reserved \$255,813. Due to the unusual circumstance and infrequent nature of this item, management deemed it an extraordinary item in fiscal year 2014. This receivable and allowance reserve were written off in fiscal year 2015.