

BIG BROTHERS BIG SISTERS OF ALASKA

FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

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, 2016 and 2015, 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, 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.



August 8, 2017

## BIG BROTHERS BIG SISTERS OF ALASKA

## STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents (including board designation of \$-0- and \$103,810 for 2016 and 2015, respectively)	\$ 60,070	\$ 168,739
Accounts receivable:		
Current portion of pledges receivable, net	33,849	52,372
Grants (net an allowance of \$-0- and \$103,966 for 2016 and 2015, respectively)	116,005	65,892
United Way	58,606	80,979
Other	16,962	25,953
Prepaid expenses	20,250	33,446
Total current assets	<u>305,742</u>	<u>427,381</u>
<b>RESTRICTED - CASH AND CASH EQUIVALENTS</b>	<u>8,169</u>	<u>8,169</u>
<b>INVESTMENTS</b>		
Restricted	1,000	1,000
Unrestricted (including board designation of \$-0- and \$45,298 for 2016 and 2015, respectively)	8,580	45,461
Total investments	<u>9,580</u>	<u>46,461</u>
<b>PLEDGES RECEIVABLE, LONG-TERM, net</b>	27,046	40,180
<b>OTHER ASSETS</b>	<u>5,056</u>	<u>5,056</u>
Total assets	<u>\$ 355,593</u>	<u>\$ 527,247</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 61,654	\$ 51,044
Payroll related liabilities	24,572	14,925
Accrued leave	40,923	39,125
Deferred revenue	15,216	10,915
Line of credit	-	97,386
Total current liabilities	<u>142,365</u>	<u>213,395</u>
<b>NET ASSETS</b>		
Unrestricted:		
Board designated for future use	-	149,264
Undesignated	143,164	62,867
Total unrestricted net assets	<u>143,164</u>	<u>212,131</u>
Temporarily restricted net assets	60,895	92,552
Permanently restricted net assets	9,169	9,169
Total net assets	<u>213,228</u>	<u>313,852</u>
Total liabilities and net assets	<u>\$ 355,593</u>	<u>\$ 527,247</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, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
<b>REVENUES, GAINS, AND OTHER SUPPORT</b>				
Affiliate - For the Kids Foundation	\$ 200,000	\$ -	\$ -	\$ 200,000
Individual donors	38,564	88,403	-	126,967
Corporate donors	142,905	118,252	-	261,157
Special event contributions	27,338	91,775	-	119,113
United Way	139,522	-	-	139,522
In-kind contributions	54,530	-	-	54,530
Grants:				
Federal government	499,745	-	-	499,745
State of Alaska	420,451	-	-	420,451
Local governments	87,996	-	-	87,996
Other	21,731	-	-	21,731
Gaming	46,981	-	-	46,981
Investment income, net	2,500	-	-	2,500
Other	87	-	-	87
Total revenues, gains, and other support	<u>1,682,350</u>	<u>298,430</u>	<u>-</u>	<u>1,980,780</u>
Net assets released from restriction -				
Satisfaction of time restriction - pledges receivable	<u>330,087</u>	<u>(330,087)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, other support, and net assets released from restriction	<u>2,012,437</u>	<u>(31,657)</u>	<u>-</u>	<u>1,980,780</u>
<b>EXPENSES - DIRECT</b>				
Program services	1,511,531	-	-	1,511,531
Supporting services:				
General and administrative	130,894	-	-	130,894
Fundraising	384,449	-	-	384,449
<b>EXPENSES - IN-KIND</b>				
Program services	6,898	-	-	6,898
Supporting services -				
Fundraising	<u>47,632</u>	<u>-</u>	<u>-</u>	<u>47,632</u>
Total expenses	<u>2,081,404</u>	<u>-</u>	<u>-</u>	<u>2,081,404</u>
Change in net assets	(68,967)	(31,657)	-	(100,624)
NET ASSETS, beginning of year	<u>212,131</u>	<u>92,552</u>	<u>9,169</u>	<u>313,852</u>
NET ASSETS, end of year	<u>\$ 143,164</u>	<u>\$ 60,895</u>	<u>\$ 9,169</u>	<u>\$ 213,228</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
Total revenues, gains, and other support	<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	<u>368,960</u>	<u>(368,960)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, other support, and net assets released from restriction	<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	<u>75,687</u>	<u>-</u>	<u>-</u>	<u>75,687</u>
Total expenses	<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 FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
<b>DIRECT EXPENSES</b>				
Salaries, wages, benefits and taxes	\$ 1,060,506	\$ 59,930	\$ 227,574	\$ 1,348,010
Professional fees	177,507	57,055	-	234,562
Facilities	131,354	2,116	13,255	146,725
Special events expense	-	-	80,741	80,741
Uncollectible pledges	-	-	27,191	27,191
Travel	19,140	3,312	3,624	26,076
Dues and subscriptions	23,052	105	2,899	26,056
Insurance	25,878	-	-	25,878
Agency activities and screening	25,012	-	99	25,111
Gaming expenses	-	-	24,567	24,567
Advertising	21,399	-	148	21,547
Equipment	13,711	-	1,259	14,970
Office	12,183	433	2,212	14,828
Other expenses	1,789	7,943	880	10,612
Total direct expenses	<u>1,511,531</u>	<u>130,894</u>	<u>384,449</u>	<u>2,026,874</u>
<b>IN-KIND EXPENSES</b>				
Office and supplies	-	-	35,580	35,580
Advertising	-	-	12,052	12,052
Agency activities	5,448	-	-	5,448
Travel	1,450	-	-	1,450
Total in-kind expenses	<u>6,898</u>	<u>-</u>	<u>47,632</u>	<u>54,530</u>
Total expenses	<u>\$ 1,518,429</u>	<u>\$ 130,894</u>	<u>\$ 432,081</u>	<u>\$ 2,081,404</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	
<b>DIRECT EXPENSES</b>				
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
Uncollectable 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>
<b>IN-KIND EXPENSES</b>				
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  
STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2016 and 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (100,624)	\$ (42,287)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Donated stock	(832)	(1,964)
Realized and unrealized (gain) loss on investments, net	(1,219)	568
Uncollectible pledges	27,191	18,603
(Increase) decrease in assets:		
Pledges receivable (current and long-term)	4,466	8,514
Grants receivable	(50,113)	36,763
United Way and other receivables	31,364	(8,827)
Prepaid expenses	13,196	(13,459)
Increase (decrease) in liabilities:		
Accounts payable	10,610	10,628
Payroll related liabilities	9,647	(2,090)
Accrued leave	1,798	9,986
Deferred revenue	4,301	(3,925)
Net cash provided by (used for) operating activities	(50,215)	12,510
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(1,010)	(1,039)
Sale of investments	39,942	17,176
Net cash provided by investing activities	38,932	16,137
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit	(97,386)	-
Net cash used for financing activities	(97,386)	-
Change in cash and cash equivalents	(108,669)	28,647
Cash and cash equivalents at beginning of year	176,908	148,261
Cash and cash equivalents at end of year	\$ 68,239	\$ 176,908
<b>SUPPLEMENTAL INFORMATION</b>		
Non-cash investing activity - Receipt of donated stock	\$ 832	\$ 1,964
Cash paid for interest	\$ 4,395	\$ 4,950

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, 2016 and 2015

**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, 2016 and 2015, 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.

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.

BIG BROTHERS BIG SISTERS OF ALASKA  
NOTES TO FINANCIAL STATEMENTS

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, 2016 and 2015.

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.

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.

## BIG BROTHERS BIG SISTERS OF ALASKA

### NOTES TO FINANCIAL STATEMENTS

#### 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, 2016 are as follows:

	<u>Amortized Cost</u>	<u>Unrealized Gain (Loss)</u>	<u>Fair Value</u>
Stocks	\$ 7,049	\$ 1,361	\$ 8,410
Certificates of deposit	<u>1,170</u>	<u>-</u>	<u>1,170</u>
Total	<u>\$ 8,219</u>	<u>\$ 1,361</u>	<u>\$ 9,580</u>

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>

Investment income of \$2,500 and \$2,202, reported in the statements of activities for the years ended December 31, 2016 and 2015, 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, 2016 are as follows:

	<u>Level 1</u>	<u>Total</u>
Stocks	<u>\$ 8,410</u>	<u>\$ 8,410</u>
Total investments measured at fair value	<u>\$ 8,410</u>	8,410
Certificates of deposit measured at cost which approximates fair value		<u>1,170</u>
Total		<u>\$ 9,580</u>

BIG BROTHERS BIG SISTERS OF ALASKA  
NOTES TO FINANCIAL STATEMENTS

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>

**NOTE 4 – UNCONDITIONAL PROMISES TO GIVE RECEIVABLE**

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 51,065	\$ 68,872
Receivable in one to five years	<u>36,509</u>	<u>52,222</u>
Gross unconditional promises to give	87,574	121,094
Less discounts to net present value*	(3,362)	(4,855)
Less allowance for uncollectible pledges receivable	<u>(23,317)</u>	<u>(23,687)</u>
Net unconditional promises to give	<u>\$ 60,895</u>	<u>\$ 92,552</u>

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

	<u>2016</u>	<u>2015</u>
Receivable in less than one year	\$ 51,065	\$ 68,872
Less allowance for uncollectible pledges receivable	<u>(17,216)</u>	<u>(16,500)</u>
Net current portion of pledges receivable	<u>\$ 33,849</u>	<u>\$ 52,372</u>
	<u>2016</u>	<u>2015</u>
Receivable in one to five years	\$ 36,509	\$ 52,222
Less discount to net present value*	(3,362)	(4,855)
Less allowance for uncollectible pledges receivable	<u>(6,101)</u>	<u>(7,187)</u>
Net long-term portion of pledges receivable	<u>\$ 27,046</u>	<u>\$ 40,180</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:

	2016	2015
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, 2016 and 2015, respectively.

**NOTE 6 – LINE OF CREDIT**

At December 31, 2015, BBBSAK had a revolving line of credit with a bank, which expired 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, 2016), and BBBSAK maintains an account with a minimum \$100,000 compensating balance at the bank. Interest expense was \$4,395 and \$4,950 for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, \$-0- 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, 2016 and 2015, contribution expense totaled \$-0- and \$-0-, respectively.

**NOTE 8 – NET ASSETS**

Board Designated

Net assets designated by the board for future uses consist of \$-0- and \$149,264 for 2016 and 2015, respectively.

Temporarily Restricted

Net assets temporarily restricted are as follows at December 31:

	2016	2015
Pledges receivable	\$ 60,895	\$ 92,552

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Permanently Restricted

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

	<u>2016</u>	<u>2015</u>
An endowment (Lanie’s Fund) established at BBBS-Anchorage	\$ 8,169	\$ 8,169
Donation for an endowment fund for BBBS-Fairbanks	<u>1,000</u>	<u>1,000</u>
Total permanently restricted net assets	<u>\$ 9,169</u>	<u>\$ 9,169</u>

**NOTE 9 – IN-KIND EXPENSE**

Contributions of goods are valued at market rates that are generally provided by the donor. In fiscal years 2016 and 2015 in-kind contributions of \$54,530 and \$77,943, 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 2016 and 2015 mentors donated approximately 56,880 and 61,760 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, 2016 and 2015 BBBSAK received \$200,000 and \$176,000 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 \$190,637 and \$161,938 in contributions, and \$9,363 and \$14,062 in administrative expenses, for the years ended December 31, 2016 and 2015, respectively.

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**NOTE 11 – LEASES**

Operating Leases

BBBSAK conducts its administrative operations from a leased facility. Lease payments for this facility were \$3,611 per month in fiscal year 2016. 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 \$111,327 and \$123,566 for the years ended December 31, 2016 and 2015, respectively. The following is a schedule of future minimum lease payments under operating leases at December 31, 2016:

Year Ending December 31:	
2017	\$ 22,122
2018	<u>4,950</u>
	<u>\$ 27,072</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 2016 and 2015, BBBSAK received 10.4% and 9.5%, 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.

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, 2016 and 2015, BBBSAK had net promises to give receivable of \$60,895 and \$92,552, 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.



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**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 2016 BBBSAK received sponsorship revenue for its 2017 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.