

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

(With Summarized Totals for the Year Ended June 30, 2015)

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

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Independent Auditor's Report

Board of Directors
Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. which comprise the balance sheet as of June 30, 2016, and the related statements of activities, cash flows and functional expenses for the year 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 representation 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 audit. We conducted our audit 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 of 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ritz Holman LLP
Serving businesses, nonprofits, individuals and trusts.

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Board of Directors
Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.

Report on Summarized Comparative Information

We have previously audited Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "Ritz Holman" followed by a stylized flourish.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 18, 2016

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
BALANCE SHEET
JUNE 30, 2016
(With Summarized Totals for June 30, 2015)

ASSETS		2016	2015
CURRENT ASSETS			
Cash and Cash Equivalents	\$	935,855	\$ 778,333
Grants Receivable		165,033	38,755
Current Pledges Receivable		276,459	188,510
Prepaid Expenses and Supplies on Hand		27,318	86,370
Total Current Assets	\$	<u>1,404,665</u>	<u>\$ 1,091,968</u>
FIXED ASSETS			
Furniture and Fixtures	\$	3,009	\$ 3,009
Equipment		47,182	47,182
Leased Capital Equipment		9,670	9,670
Leasehold Improvements		48,238	48,238
Total Fixed Assets	\$	<u>108,099</u>	<u>\$ 108,099</u>
Less: Accumulated Depreciation		(92,678)	(85,024)
Net Fixed Assets	\$	<u>15,421</u>	<u>\$ 23,075</u>
LONG-TERM ASSETS			
Long-Term Pledges Receivable	\$	35,000	\$ 120,000
Total Long-Term Assets	\$	<u>35,000</u>	<u>\$ 120,000</u>
TOTAL ASSETS	\$	<u><u>1,455,086</u></u>	<u><u>\$ 1,235,043</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts Payable	\$	27,710	\$ 17,203
Accrued Payroll Liabilities		79,941	74,601
Deferred Revenue		---	54,621
Current Portion of Capital Lease Obligations		1,934	1,934
Total Current Liabilities	\$	<u>109,585</u>	<u>\$ 148,359</u>
LONG-TERM LIABILITIES			
Capital Lease Obligations	\$	7,252	\$ 9,186
Less: Current Portion		(1,934)	(1,934)
Total Long-Term Liabilities	\$	<u>5,318</u>	<u>\$ 7,252</u>
Total Liabilities	\$	<u>114,903</u>	<u>\$ 155,611</u>
NET ASSETS			
Unrestricted	\$	660,382	\$ 497,787
Temporarily Restricted		679,801	581,645
Total Net Assets	\$	<u>1,340,183</u>	<u>\$ 1,079,432</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>1,455,086</u></u>	<u><u>\$ 1,235,043</u></u>

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
REVENUE				
Contributions and Grants	\$ 1,003,436	\$ 291,194	\$ 1,294,630	\$ 1,302,926
United Way	208,396	---	208,396	208,396
Community Advocates, Inc.	150,672	---	150,672	155,004
Special Events Revenue	539,932	214,509	754,441	654,421
Special Events Expense	(184,138)	---	(184,138)	(108,152)
Investment Income	751	---	751	442
Other Revenues	4,499	---	4,499	1,000
Donated Goods and Services	203,135	---	203,135	329,803
Net Assets Released from Restrictions	407,547	(407,547)	---	---
Total Revenue	<u>\$ 2,334,230</u>	<u>\$ 98,156</u>	<u>\$ 2,432,386</u>	<u>\$ 2,543,840</u>
EXPENSES				
Program Services	\$ 1,556,679	\$ ---	\$ 1,556,679	\$ 1,669,533
Management and General	242,518	---	242,518	186,313
Marketing and Development	372,438	---	372,438	386,198
Total Expenses	<u>\$ 2,171,635</u>	<u>\$ ---</u>	<u>\$ 2,171,635</u>	<u>\$ 2,242,044</u>
CHANGE IN NET ASSETS	\$ 162,595	\$ 98,156	\$ 260,751	\$ 301,796
Net Assets, Beginning of Year	<u>497,787</u>	<u>581,645</u>	<u>1,079,432</u>	<u>777,636</u>
NET ASSETS, END OF YEAR	<u><u>\$ 660,382</u></u>	<u><u>\$ 679,801</u></u>	<u><u>\$ 1,340,183</u></u>	<u><u>\$ 1,079,432</u></u>

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 260,751	\$ 301,796
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	7,654	6,609
(Increase) Decrease in Grants Receivable	(126,278)	(3,921)
(Increase) Decrease in Pledges Receivable	(2,949)	(139,730)
(Increase) Decrease in Prepaid Expenses and Supplies on Hand	59,052	(41,990)
Increase (Decrease) in Accounts Payable	10,507	(7,135)
Increase (Decrease) in Accrued Payroll Liabilities	5,340	3,340
Increase (Decrease) in Deferred Revenue	(54,621)	54,621
Net Cash Provided by Operating Activities	<u>\$ 159,456</u>	<u>\$ 173,590</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease	<u>\$ (1,934)</u>	<u>\$ (484)</u>
Net Cash Used by Financing Activities	<u>\$ (1,934)</u>	<u>\$ (484)</u>
Net Increase in Cash and Cash Equivalents	\$ 157,522	\$ 173,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>778,333</u>	<u>605,227</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 935,855</u></u>	<u><u>\$ 778,333</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Non-cash Investing and Financing Activities		
Fixed Assets Acquired Under Capital Lease	\$ ---	\$ 9,670
Donated Stock Included in Operating Activities	---	50,020

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(With Summarized Totals for the Year Ended June 30, 2015)

	Program Services	Management and General	Marketing and Development	2016 Total	2015 Total
Salaries	\$ 850,666	\$ 140,957	\$ 252,650	\$ 1,244,273	\$ 1,215,832
Employee Benefits	115,935	13,075	23,120	152,130	149,413
Retirement Expense	23,829	2,985	7,041	33,855	28,353
Payroll Taxes	66,686	10,589	18,919	96,194	105,000
Travel Expense	13,416	895	1,333	15,644	16,232
Telephone	12,131	1,009	2,151	15,291	15,299
Supplies	45,351	9,579	2,003	56,933	39,642
Postage and Shipping	2,979	567	3,179	6,725	9,246
Printing	1,946	1,167	6,351	9,464	11,875
Organizational Dues	12,198	2,492	2,733	17,423	15,892
Occupancy	147,972	16,483	31,826	196,281	193,333
Insurance	31,533	7,606	6,713	45,852	41,907
Marketing and Recruitment	817	---	---	817	---
Equipment Maintenance and Rental	3,832	1,027	920	5,779	8,908
Information Technology	12,689	1,335	9,285	23,309	24,785
Depreciation	5,820	618	1,216	7,654	6,609
Professional Fees	91,719	20,265	2,663	114,647	107,202
Conferences, Meetings and Staff Development	5,036	3,859	335	9,230	6,630
Volunteer Events and Cultivation	3,942	---	---	3,942	3,706
Program Activities	108,182	652	---	108,834	233,916
Bad Debt Expense	---	1,555	---	1,555	575
Bank Fees	---	5,803	---	5,803	7,689
Totals	<u>\$ 1,556,679</u>	<u>\$ 242,518</u>	<u>\$ 372,438</u>	<u>\$ 2,171,635</u>	<u>\$ 2,242,044</u>

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - Summary of Significant Accounting Policies

Organization

The mission of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. (the "Organization") 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 Organization is an affiliate of Big Brothers Big Sisters of America. Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. is one of the 30 largest Big Brothers and Big Sisters organizations out of 400 in the country.

Accounting Method

The financial statements of Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less at purchase.

Pledges Receivable

Pledges receivable are recorded when the Organization receives an unconditional promise to give or when the condition is met of a conditional promise to give.

Allowance for Doubtful Accounts

Pledges receivables are stated net of an allowance for doubtful accounts. The Organization estimated an estimate using historical experience of the relationship between actual bad debts and net amounts pledged.

Prepaid Expenses and Supplies on Hand

Prepaid expenses are future expenses paid in advance and are reported on the balance sheet as an asset. Supplies received or purchased that are expected to be used at a future date are reported on the balance sheet as an asset.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalized all assets with values of \$1,000 or greater.

Contributions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE A - Summary of Significant Accounting Policies (continued)

Advertising, Marketing and Recruitment

The Organization uses advertising, marketing and recruitment to promote its programs and recruit individuals among the audiences it serves. Advertising, marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the year ended June 30, 2016, was \$817.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - Comparative Financial Information and Reclassifications

The financial information shown for 2015 in the accompanying financial statements is included to provide a basis for comparison with 2016. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

For comparability, certain 2015 amounts have been reclassified to conform with classifications adopted in 2016. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

NOTE C - Concentration of Credit Risk

The Organization maintains its cash balances at a financial institution located in Wisconsin. The combined account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2016, the Organization's uninsured cash balances totaled \$678,307.

NOTE D - Grants Receivable

Grants receivable consist of the following amounts at June 30, 2016:

<u>Source</u>	<u>Amount</u>
Community Advocates, Inc.	\$ 73,178
Waukesha County	4,499
Big Brothers Big Sisters of America	<u>87,356</u>
Total	<u>\$165,033</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE E - Pledges Receivable

Pledges receivable consist of unconditional individual, foundation, and United Way pledges to be collected in future periods.

Future pledges are expected to be collected as follows:

<u>During the Year Ending June 30,</u>	<u>Amount</u>
2017	\$276,459
2018	<u>35,000</u>
Net Pledges Receivable	<u>\$311,459</u>

<u>Balances consist of the following as of June 30, 2016,</u>	<u>Amount</u>
Gross Pledges Receivable	\$317,459
Less: Allowance for Doubtful Accounts	<u>(6,000)</u>
Net Pledges Receivable	<u>\$311,459</u>

NOTE F - Line of Credit

The Organization has available a \$250,000 line of credit maturing on January 10, 2017. The interest rate on the line of credit is determined to be 2.25 percentage points over the British Bankers Association LIBOR independent index. The interest rate as of June 30, 2016, was 2.72%. The line of credit is secured by all personal and real property. The line of credit was not being used as of June 30, 2016.

NOTE G - Future Liabilities

The Organization has a hotel contract extending into the next fiscal year related to its annual gala. The cost to the Organization if the contract was cancelled is \$7,500 at June 30, 2016, including a \$1,500 deposit included in prepaid expenses at June 30, 2016.

NOTE H - Office Lease

The Organization leases office space located in Milwaukee, Wisconsin, under a lease that extends through May 31, 2020. In addition, the Organization paid \$150 per month for storage space. Total rent expense for the year ended June 30, 2016, was \$103,445.

Minimum future rental payments under this non-cancelable operating lease are:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2017	\$104,186
2018	106,791
2019	109,461
2020	<u>102,634</u>
Total	<u>\$423,072</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE I - Capital Lease

The Organization has a capital lease for a copy machine extending until March 2020. The economic substance of the lease is that the Organization is financing the acquisition of the asset through the lease and, accordingly, it is recorded in the Organization's assets and liabilities. The asset is included under fixed assets and is being depreciated over the lease term and useful life of the asset of five years. Depreciation expense on the leased asset for the year ended June 30, 2016, was \$1,934. Accumulated depreciation on the leased asset as of June 30, 2016, was \$2,740.

Future payments of principal are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2017	\$ 1,934
2018	1,934
2019	1,934
2020	<u>1,450</u>
Total	<u>\$ 7,252</u>

NOTE J - Operating Lease

In April 2011, the Organization entered into a five-year lease for a phone system with an estimated life of seven years. The lease required a monthly minimum payment of \$702 through April 11, 2016. Lease payments on the phone system were \$7,020 during the year ended June 30, 2016.

NOTE K - Retirement Plan

The Organization has established a Simplified Employee Pension plan. Employees who have performed services for the Organization during at least two of the immediately preceding plan years and who are age 21 are eligible to participate. The Organization contributed 4% of employees' compensation. Retirement expense for the year ended June 30, 2016, was \$33,855.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE L - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2016:

<u>Source</u>	<u>Amount</u>
Time-Restricted:	
Foundation Pledges - 2017	\$ 10,000
Foundation Pledges - 2018	10,000
Donations - 2017 Operations	<u>5,000</u>
Subtotal	<u>\$ 25,000</u>
Purpose-Restricted:	
Leadership - 2017	\$ 76,694
Mentor 2.0 - 2017	100,000
Donations - 2017 Operations	159,500
Gala - 2017	83,000
Scholarship Fund	<u>4,098</u>
Subtotal	<u>\$423,292</u>
Time- and Purpose-Restricted:	
Mentor 2.0 Pledges - 2018	\$ 50,000
Bowl for Kids' Sake - Donated Goods	575
Golf Event Pledges - 2017	150,669
Golf - Donated Goods	5,265
Golf Event Pledges - 2018	<u>25,000</u>
Subtotal	<u>\$231,509</u>
Total	<u>\$679,801</u>

NOTE M - Net Assets Released From Restrictions

During the year ended June 30, 2016, net assets released from restrictions consist of the following:

<u>Source</u>	<u>Amount</u>
Leadership	\$103,045
Donations - 2016 Operations	158,302
Golf Event	115,200
Gala	30,000
Stein Scholarship	<u>1,000</u>
Total	<u>\$407,547</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE N - Donated Goods and Services and Deferred Revenue

The Organization received donated goods and services during the year ended June 30, 2016, valued at \$277,612.

Donated goods and services included in the accompanying financial statements consist of the following for the year ended June 30, 2016:

<u>Source</u>	<u>Amount</u>
Rent	\$ 49,302
Program Tickets and Supplies	108,833
Professional Fees	<u>45,000</u>
Sub-Total	\$203,135
Special Event Supplies	<u>74,477</u>
Total	<u>\$277,612</u>

NOTE O - Board Donations

During the year ended June 30, 2016, board members and their affiliated companies and foundations donated \$667,026.

NOTE P - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2016, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE Q - Subsequent Events

The Organization evaluated subsequent events and transactions for possible adjustments to the financial statements and disclosures. The Organization has considered events and transactions occurring after June 30, 2016, the date of the most recent balance sheet, through November 18, 2016, the date the financial statements are available to be issued. It has been determined that no subsequent events need to be disclosed.