

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

(With Summarized Totals for the Year Ended June 30, 2016)

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report.....	1 - 2
Balance Sheet.....	3
Statement of Activities	4
Statement of Cash Flows.....	5
Statement of Functional Expenses.....	6
Notes to the Financial Statements.....	7 - 14

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, 2017, 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 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 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, 2017, 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.

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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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script, appearing to read "Ritz Holman", is written in black ink.

RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 16, 2017

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
BALANCE SHEET
June 30, 2017
(With Summarized Totals for June 30, 2016)

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,224,901	\$ 935,855
Grants Receivable	81,436	165,033
Current Pledges Receivable	296,129	276,459
Prepaid Expenses and Supplies on Hand	30,334	27,318
Total Current Assets	<u>\$ 1,632,800</u>	<u>\$ 1,404,665</u>
FIXED ASSETS		
Furniture and Fixtures	\$ 3,009	\$ 3,009
Equipment	49,727	47,182
Leased Capital Equipment	9,670	9,670
Leasehold Improvements	48,238	48,238
Total Fixed Assets	<u>\$ 110,644</u>	<u>\$ 108,099</u>
Less: Accumulated Depreciation	(100,299)	(92,678)
Net Fixed Assets	<u>\$ 10,345</u>	<u>\$ 15,421</u>
LONG-TERM ASSETS		
Long-Term Pledges Receivable	\$ 56,666	\$ 35,000
Total Long-Term Assets	<u>\$ 56,666</u>	<u>\$ 35,000</u>
TOTAL ASSETS	<u><u>\$ 1,699,811</u></u>	<u><u>\$ 1,455,086</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 28,619	\$ 27,710
Accrued Payroll Liabilities	77,890	79,941
Current Portion of Capital Lease Obligations	1,934	1,934
Total Current Liabilities	<u>\$ 108,443</u>	<u>\$ 109,585</u>
LONG-TERM LIABILITIES		
Capital Lease Obligations	\$ 5,318	\$ 7,252
Less: Current Portion	(1,934)	(1,934)
Total Long-Term Liabilities	<u>\$ 3,384</u>	<u>\$ 5,318</u>
Total Liabilities	<u>\$ 111,827</u>	<u>\$ 114,903</u>
NET ASSETS		
Unrestricted	\$ 864,069	\$ 660,382
Temporarily Restricted	723,915	679,801
Total Net Assets	<u>\$ 1,587,984</u>	<u>\$ 1,340,183</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,699,811</u></u>	<u><u>\$ 1,455,086</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, 2017
(With Summarized Totals for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
REVENUE				
Contributions and Grants	\$ 792,377	\$ 366,786	\$ 1,159,163	\$ 1,182,532
United Way	196,487	---	196,487	208,396
Big Brothers Big Sisters of America	159,344	---	159,344	112,098
Community Advocates, Inc.	145,000	---	145,000	150,672
Special Events Revenue	539,881	269,031	808,912	754,441
Special Events Expense	(148,695)	---	(148,695)	(184,138)
Investment Income	865	---	865	751
Waukesha County				
Community Development Block Grant	9,065	---	9,065	4,499
Donated Goods and Services	285,786	---	285,786	203,135
Net Assets Released from Restrictions	591,703	(591,703)	---	---
Total Revenue	<u>\$ 2,571,813</u>	<u>\$ 44,114</u>	<u>\$ 2,615,927</u>	<u>\$ 2,432,386</u>
EXPENSES				
Program Services	\$ 1,691,594	\$ ---	\$ 1,691,594	\$ 1,556,679
Management and General	276,187	---	276,187	242,518
Marketing and Development	400,345	---	400,345	372,438
Total Expenses	<u>\$ 2,368,126</u>	<u>\$ ---</u>	<u>\$ 2,368,126</u>	<u>\$ 2,171,635</u>
CHANGE IN NET ASSETS	\$ 203,687	\$ 44,114	\$ 247,801	\$ 260,751
Net Assets, Beginning of Year	<u>660,382</u>	<u>679,801</u>	<u>1,340,183</u>	<u>1,079,432</u>
NET ASSETS, END OF YEAR	<u>\$ 864,069</u>	<u>\$ 723,915</u>	<u>\$ 1,587,984</u>	<u>\$ 1,340,183</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, 2017
(With Summarized Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 247,801	\$ 260,751
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	7,621	7,654
(Increase) Decrease in Grants Receivable	83,597	(126,278)
(Increase) Decrease in Pledges Receivable	(41,336)	(2,949)
(Increase) Decrease in Prepaid Expenses and Supplies on Hand	(3,016)	59,052
Increase (Decrease) in Accounts Payable	909	10,507
Increase (Decrease) in Accrued Payroll Liabilities	(2,051)	5,340
Increase (Decrease) in Deferred Revenue	---	(54,621)
Net Cash Provided by Operating Activities	<u>\$ 293,525</u>	<u>\$ 159,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	<u>\$ (2,545)</u>	<u>\$ ---</u>
Net Cash Used by Investing Activities	<u>\$ (2,545)</u>	<u>\$ ---</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Capital Lease	<u>\$ (1,934)</u>	<u>\$ (1,934)</u>
Net Cash Used by Financing Activities	<u>\$ (1,934)</u>	<u>\$ (1,934)</u>
Net Increase in Cash and Cash Equivalents	\$ 289,046	\$ 157,522
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>935,855</u>	<u>778,333</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 1,224,901</u></u>	<u><u>\$ 935,855</u></u>

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, 2017
(With Summarized Totals for the Year Ended June 30, 2016)

	Program Services	Management and General	Marketing and Development	2017 Total	2016 Total
Salaries	\$ 919,690	\$ 163,716	\$ 260,902	\$ 1,344,308	\$ 1,272,873
Employee Benefits	120,421	14,396	24,836	159,653	152,130
Retirement Expense	29,315	4,804	8,756	42,875	33,855
Payroll Taxes	69,915	11,400	19,615	100,930	96,194
Travel Expense	14,171	847	1,286	16,304	15,644
Telephone	12,512	1,144	2,116	15,772	15,291
Supplies	51,228	10,919	1,473	63,620	56,933
Postage and Shipping	3,303	576	2,945	6,824	6,725
Printing	2,057	511	6,818	9,386	9,464
Organizational Dues	1,586	1,227	519	3,332	2,919
National Organizational Dues	11,123	1,412	2,281	14,816	14,504
Occupancy	123,293	13,455	26,350	163,098	167,681
Insurance	31,160	6,881	5,386	43,427	45,852
Marketing and Recruitment	558	---	9	567	817
Equipment Maintenance and Rental	3,783	1,627	984	6,394	5,779
Information Technology	16,772	4,185	9,742	30,699	23,309
Depreciation	5,779	614	1,228	7,621	7,654
Professional Fees	55,851	26,725	2,361	84,937	114,647
Conferences, Meetings and Staff Development	4,584	3,592	1,134	9,310	9,230
Volunteer Events and Cultivation	5,001	---	---	5,001	3,942
Program Activities	209,492	2,100	21,604	233,196	108,834
Bad Debt Expense	---	---	---	---	1,555
Bank Fees	---	6,056	---	6,056	5,803
TOTALS	<u>\$ 1,691,594</u>	<u>\$ 276,187</u>	<u>\$ 400,345</u>	<u>\$ 2,368,126</u>	<u>\$ 2,171,635</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, 2017

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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 300 in the country.

Basis of Presentation

The Organization reports 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. Assets of the restricted classes are created only by donor-imposed restrictions.

Accounting Method

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

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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with 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.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE A - Summary of Significant Accounting Policies (continued)

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.

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, 2017, was \$567.

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 2016 in the accompanying financial statements is included to provide a basis for comparison with 2017. 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, 2016, from which the summarized information was derived.

For comparability, certain 2016 amounts have been reclassified to conform with classifications adopted in 2017. 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, 2017, the Organization's uninsured cash balances totaled \$984,044.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE D - Grants Receivable

Grants receivable consist of the following amounts at June 30, 2017:

<u>Source</u>	<u>Amount</u>
Community Advocates, Inc.	\$36,899
Waukesha County	4,564
Big Brothers Big Sisters of America	<u>39,973</u>
Total	<u>\$81,436</u>

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>
2018	\$296,129
2019	26,666
2020	10,000
2021	10,000
2022	<u>10,000</u>
Net Pledges Receivable	<u>\$352,795</u>

<u>Balances consist of the following as of June 30, 2017,</u>	<u>Amount</u>
Gross Pledges Receivable	\$358,795
Less: Allowance for Doubtful Accounts	<u>(6,000)</u>
Net Pledges Receivable	<u>\$352,795</u>

NOTE F - Line of Credit

The Organization has a variable rate revolving line of credit with an available balance of \$250,000. The lender has the right to cancel the line of credit as it relates to future advances at any time without notice and to demand payment upon 90 days advance notice to the Organization. The interest rate on the line of credit is determined to be 5.020% based on 1.270 points over the highest Prime Rate as published daily in the "Money Rates" section of the Wall Street Journal adjusted each day and will become effective without notice to the Organization. The line of credit is secured by all personal and real property. The line of credit was not being used as of June 30, 2017.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017, including a \$1,500 deposit included in prepaid expenses at June 30, 2017

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, 2017, was \$106,214.

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

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2018	\$106,791
2019	109,461
2020	<u>102,634</u>
Total	<u>\$318,886</u>

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, 2017, was \$1,934. Accumulated depreciation on the leased asset as of June 30, 2017, was \$4,674.

Future payments of principal are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2018	\$1,934
2019	1,934
2020	<u>1,450</u>
Total	<u>\$5,318</u>

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE J - 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, 2017, was \$42,875.

NOTE K - Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2017:

<u>Source</u>	<u>Amount</u>
Time-Restricted:	
Foundation Pledges - 2018	\$ 10,000
Donations - 2018 Operations	<u>5,000</u>
Subtotal	<u>\$ 15,000</u>
Purpose-Restricted:	
Leadership - 2018	\$117,869
Mentor 2.0 - 2018	52,000
Donations - 2018 Operations	186,962
Gala - 2018	144,000
Server	3,955
Scholarship Fund	<u>3,098</u>
Subtotal	<u>\$507,884</u>
Time- and Purpose-Restricted:	
Bowling for Kids Pledges - 2018	\$ 1,000
Mentor 2.0 Pledges - 2018	50,000
Golf Event Pledges - 2018	117,850
Golf - Donated Goods - 2018	4,242
Gala - Donated Goods - 2018	2,939
Golf Event Pledges - 2018	<u>25,000</u>
Subtotal	<u>\$201,031</u>
Total	<u>\$723,915</u>

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE L - Net Assets Released From Restrictions

During the year ended June 30, 2017, net assets released from restrictions consist of the following:

<u>Source</u>	<u>Amount</u>
Leadership	\$ 76,694
Donations - 2017 Operations	274,500
Golf Event	150,669
Gala	83,000
Donated Goods	5,840
Stein Scholarship	<u>1,000</u>
Total	<u>\$591,703</u>

NOTE M - Donated Goods and Services

The Organization received donated goods and services for match activities, special events, reduced rent and volunteer time. Donated goods, event tickets, and the value of services requiring specialized skills are included in the financial statements. The value of mentoring services estimated to be worth \$2,600,000 for 113,000 hours of volunteer time is excluded from the financial statements. The value of volunteer time is calculated using the independent sector rate of \$23 per hour.

Donated goods and services included in the accompanying financial statements consist of the following for the year ended June 30, 2017:

<u>Source</u>	<u>Amount</u>
Rent	\$ 43,411
Program Tickets and Supplies	202,925
Professional Fees	<u>39,450</u>
Sub-Total	\$285,786
Special Event Supplies	<u>26,719</u>
Total	<u>\$312,505</u>

NOTE N - Board Donations

During the year ended June 30, 2017, board members and their affiliated companies and foundations donated \$700,346.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE O - 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, 2017, 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 P - 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, 2017, the date of the most recent balance sheet, through November 16, 2017, the date the financial statements are available to be issued. It has been determined that no subsequent events need to be disclosed.