

**BIG BROTHERS BIG SISTERS OF  
NORTHEAST WISCONSIN, INC.**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2018**

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
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**DECEMBER 31, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Big Brothers/Big Sisters of Northeast Wisconsin, Inc.  
Green Bay, Wisconsin

### **Report on Financial Statements**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Northeast Wisconsin, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows 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.

### ***Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 Big Sisters of Northeast Wisconsin, Inc. as of December 31, 2018, 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.

***Other Matter***

The 2017 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP as of January 1, 2019, and whose report dated April 27, 2018, expressed an unmodified opinion on those financial statements from which the prior year summarized financial information was derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
May 22, 2019

## **FINANCIAL STATEMENTS**

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2018**  
**(WITH COMPARATIVE FINANCIAL INFORMATION AS OF DECEMBER 31, 2017)**

	2018	2017
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 333,515	\$ 487,847
Accounts Receivable	46	2,808
Promises to Give	60,009	28,170
Prepaid Expenses	13,265	913
Beneficial Interest in Charitable Remainder Trust	50,507	48,102
Investments	644,089	523,677
Property and Equipment, Net	20,348	21,379
Beneficial Interest in Assets Held by Community Foundation	1,110,413	1,291,708
	<u>1,110,413</u>	<u>1,291,708</u>
 Total Assets	 <u>\$ 2,232,192</u>	 <u>\$ 2,404,604</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 2,234	\$ 4,521
Accrued Expenses	5,677	4,242
Deferred Revenue	4,725	26,227
	<u>12,636</u>	<u>34,990</u>
Total Liabilities	<u>12,636</u>	<u>34,990</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	828,493	834,879
With Donor Restrictions	1,391,063	1,534,735
	<u>2,219,556</u>	<u>2,369,614</u>
Total Net Assets	<u>2,219,556</u>	<u>2,369,614</u>
Total Liabilities and Net Assets	<u>\$ 2,232,192</u>	<u>\$ 2,404,604</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
<b>REVENUE, SUPPORT, AND GAINS</b>				
Contributions	\$ 317,313	\$ 65,005	\$ 382,318	\$ 302,920
United Way Allocations	150,327	-	150,327	157,674
Fundraising Events	326,056	-	326,056	391,151
Interest and Dividend Income	18,202	8,159	26,361	22,775
Net Gain (Loss) on Investments	(39,037)	(16,645)	(55,682)	32,759
Return (Loss) on Beneficial Interest in Assets Held by Community Foundation	-	(117,766)	(117,766)	163,959
Net Assets Released from Restrictions	82,425	(82,425)	-	-
Total Revenue, Support, and Gains	<u>855,286</u>	<u>(143,672)</u>	<u>711,614</u>	<u>1,071,238</u>
<b>EXPENSES AND LOSSES</b>				
Program Services Expense	<u>483,281</u>	<u>-</u>	<u>483,281</u>	<u>437,041</u>
Supporting Services Expense				
Management and General	87,498	-	87,498	75,797
Fundraising and Development	290,893	-	290,893	241,570
Total Supporting Services Expenses	<u>378,391</u>	<u>-</u>	<u>378,391</u>	<u>317,367</u>
Total Expenses	<u>861,672</u>	<u>-</u>	<u>861,672</u>	<u>754,408</u>
<b>CHANGE IN NET ASSETS</b>	(6,386)	(143,672)	(150,058)	316,830
Net Assets - Beginning of Year	<u>834,879</u>	<u>1,534,735</u>	<u>2,369,614</u>	<u>2,052,784</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 828,493</u>	<u>\$ 1,391,063</u>	<u>\$ 2,219,556</u>	<u>\$ 2,369,614</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

		Supporting Services			
	Program Services	Management and General	Fundraising	2018 Total	2017 Total
Salaries	\$ 290,710	\$ 45,486	\$ 148,524	\$ 484,720	\$ 410,978
Social Security Taxes	21,398	3,348	10,932	35,678	30,217
Group Insurance	34,391	5,381	17,571	57,343	43,104
Retirement	3,845	602	1,964	6,411	6,625
Workers Compensation	1,444	226	800	2,470	2,912
Unemployment Compensation	-	-	-	-	7,030
Professional Fees	3,672	13,769	918	18,359	11,588
Contract Services	17,944	-	-	17,944	24,255
Record Checks	1,091	22	-	1,113	1,145
Bank Fees	-	815	-	815	484
Service Fees	-	18	3,264	3,282	3,778
Supplies	1,325	177	893	2,395	1,916
Telephone	9,039	565	1,695	11,299	11,238
Postage	2,263	283	1,335	3,881	2,998
Occupancy	23,322	1,555	6,219	31,096	31,096
Equipment Rental and Maintenance	24,339	1,739	8,692	34,770	32,590
Printing	4,067	581	6,640	11,288	15,682
Travel	5,488	2,249	1,259	8,996	6,782
Conferences and Conventions	651	314	158	1,123	2,778
Dues	2,519	7,053	503	10,075	10,153
Insurance	14,046	2,634	877	17,557	18,175
Employee Business Expenses	1,820	303	910	3,033	1,915
Promotion Supplies	480	-	5,868	6,348	3,171
Volunteer Appreciation	4,405	275	826	5,506	4,281
Program Advertising	10,189	-	-	10,189	5,945
Miscellaneous	-	-	6,327	6,327	6,750
Match Activities	4,008	-	-	4,008	6,577
Depreciation	825	103	103	1,031	1,186
Event Fees	-	-	31,148	31,148	27,068
Event Prizes	-	-	33,467	33,467	21,991
Total Expenses by Function	<u>\$ 483,281</u>	<u>\$ 87,498</u>	<u>\$ 290,893</u>	<u>\$ 861,672</u>	<u>\$ 754,408</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2018**  
**(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2017)**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (150,058)	\$ 316,830
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Contributions Restricted for Long-Term Purposes	(2,405)	(14,000)
Net (Gain) Loss on Investments	55,720	(32,759)
(Increase) Decrease in Beneficial Interest in Charitable Remainder Trust	(2,405)	(2,291)
(Increase) Decrease in Beneficial Interest in Assets		
Held by Community Foundation	117,766	(163,959)
Depreciation	1,031	1,186
Changes in Assets and Liabilities:		
Accounts Receivable	2,762	(2,808)
Promises to Give	(31,839)	(10,163)
Prepaid Expenses	(12,352)	2,231
Accounts Payable	(2,287)	(1,561)
Accrued Expenses	1,435	(1,019)
Deferred Revenue	(21,502)	14,187
Net Cash Provided (Used) by Operating Activities	<u>(44,134)</u>	<u>105,874</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Property and Equipment	-	(20,069)
Proceeds from Sales of Investments	76,132	25
Purchases of Investments	(252,264)	(22,069)
Withdrawal from Beneficial Interest in Assets		
Held by Community Foundation	63,529	59,355
Net Cash Provided (Used) by Investing Activities	<u>(112,603)</u>	<u>17,242</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for Long-Term Purposes	<u>2,405</u>	<u>14,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(154,332)	137,116
Cash and Cash Equivalents - Beginning of Year	<u>487,847</u>	<u>350,731</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 333,515</u></u>	<u><u>\$ 487,847</u></u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Big Brothers Big Sisters of Northeast Wisconsin, Inc. (the Organization, we, us, our) is a not-for-profit corporation which provides services designated to help children reach their potential through professionally supported, one-to-one relationships with measurable impact.

**Cash and Cash Equivalents**

We consider all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

**Promises to Give**

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2018 an allowance for uncollectible amounts was deemed not necessary.

**Property and Equipment**

We record property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 10 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Investments**

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Revenue and Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

**Donated Services and In-Kind Contributions**

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by accounting principles generally accepted in the United States of America. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received.

**Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Income Taxes**

Big Brothers Big Sisters of Northeast Wisconsin, Inc. is organized as a Wisconsin nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under IRC Section 501(a) as an organization described in Internal Revenue Code (IRC) Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The entity is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. We have determined that the entity is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

**Financial Instruments and Credit Risk**

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members, governmental agencies, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the board of directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we and the board of directors believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

**Reclassifications**

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1    PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The adoption of ASU 2016-14 did not have a material impact on the Organization's financial statements.

**Recent Accounting Guidance**

In June 2018, the FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which clarifies when a transfer of cash or other assets received and made qualifies as a contribution or an exchange transaction and establishes criteria for determining whether the asset provider is receiving commensurate value in return for those assets. The ASU also provides guidance for determining whether a contribution is conditional. This standard is effective for the year ending December 31, 2019, with early application permitted. The Organization is currently evaluating the impact of ASU 2018-08 on the Organization's financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which clarifies the principles for recognizing revenue. The core principle of this guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will supersede all existing U.S. GAAP guidance on revenue recognition and is expected to require the use of more judgment and result in additional disclosures. The FASB has issued several amendments to the original standard, which becomes effective for annual reporting periods beginning after December 15, 2018. Adoption is to be applied retrospectively. The Organization is currently evaluating the impact of ASU 2014-09 on the Organization's financial statements and has not yet determined its method of adoption.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recent Accounting Guidance (Continued)**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which is expected to increase transparency and comparability among organizations. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. The standard requires lessees to reflect most leases on their statement of financial position sheet as lease liabilities with a corresponding right-of-use asset, while leaving presentation of lease expense in the statement of activities largely unchanged. The standard also eliminates the real-estate specific provisions that exist under current U.S. GAAP and modifies the classification criteria and accounting which lessors must apply to sales-type and direct-financing leases. The standard is effective for fiscal years and interim periods beginning after December 15, 2018, and early adoption is permitted. The Organization is currently evaluating the impact of ASU 2016-02 on the Organization's financial statements.

**Subsequent Events**

We have evaluated subsequent events through May 22, 2019, the date the financial statements were available to be issued.

**NOTE 2 LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and Cash Equivalents	\$ 333,515
Accounts Receivable	46
Operating Investments	469,108
Promises to Give	60,009
Endowment Spending-Rate Distributions	
Appropriations	64,270
Total	<u>\$ 926,948</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization reviews cash regularly and if excess is available, such excess is invested in a money market account at a local financial institution and in short-term investments.

To help manage unanticipated liquidity needs, the Organization has investments without donor restrictions that, while the Organization does not intend to spend these, the amounts could be made available for current operations, if necessary.

The Board has designated \$5,500 to the endowment fund as of December 31, 2018.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES**

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

*Level 1* – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

*Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

*Level 3* – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

A significant portion of our investment assets are classified within Level 1 because they comprise open-end mutual funds with readily determinable fair values based on daily redemption values. The fair value of our beneficial interest in charitable remainder trust is determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying asset and is based on the fair values of trust investments as reported by the trustees. The fair value of our beneficial interest in assets held by community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets and liabilities measured at fair value on a recurring basis at December 31, 2018.

		Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Total			
<b>ASSETS</b>				
Beneficial Interests in:				
Charitable Remainder Trust	\$ 50,507	\$ -	\$ -	\$ 50,507
Assets Held by Community Foundation	\$ 1,110,413	\$ -	\$ -	\$ 1,110,413
Endowment Investments:				
Cash and Money Market Funds (at Cost)	\$ 4,061	\$ 4,061	\$ -	\$ -
Exchange Traded Funds	150,246	150,246	-	-
Mutual Funds	437,356	437,356	-	-
Equities	10,904	10,904	-	-
Fixed Income Funds	41,522	41,522	-	-
Total	\$ 644,089	\$ 644,089	\$ -	\$ -

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2018**

**NOTE 3 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2018:

	Fair Value Measurements at Report Date Using Significant Unobservable Inputs (Level 3)	
	Beneficial Interests	
	Charitable Trusts	Assets Held by Community Foundation
Balance at December 31, 2017	\$ 48,102	\$ 1,291,708
Purchases/Contributions of Investments	2,405	-
Dividends	-	47,898
Losses, Net of Fees	-	(165,664)
Distributions	-	(63,529)
Balance at December 31, 2018	<u>\$ 50,507</u>	<u>\$ 1,110,413</u>

**NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

Beneficial interest in assets held by Community Foundation represents amounts held at the Greater Green Bay Community Foundation, Inc. In 1993, the Organization entered into an agreement with the Foundation whereby they transferred their endowment investments to the Foundation. These investments are the legal assets of the Foundation with the restriction that the Foundation makes annual distributions to Big Brothers/Big Sisters of Northeast Wisconsin Inc., in accordance with the Organization's spending policy.

The agreement governing the assets includes a variance power allowing the Foundation to modify the restrictions on distributions from the funds.

**NOTE 5 BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUST**

In 2010, a donor established a trust with Merrill Lynch Trust Company naming the Organization as a beneficiary of a charitable remainder trust. The Organization is to receive \$100,000 at the time of the donor's death. Based on the donor's life expectancy and the use of a 5% discount rate, the present value of future benefits expected to be received by the Organization was estimated to be \$50,507 as of December 31, 2018.

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 PROMISES TO GIVE**

Promises to give totaling \$60,009 as of December 31, 2018 are all receivable in less than one year. A reserve for uncollectible accounts was not deemed necessary by management.

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2018:

Furniture and Fixtures	\$ 18,135
Equipment	23,688
Construction in progress	20,069
Subtotal	<u>61,892</u>
Less: Accumulated Depreciation	<u>(41,544)</u>
Property and Equipment, Net	<u>\$ 20,348</u>

Depreciation expense totaled \$1,031 for the year ended December 31, 2018.

**NOTE 8 ENDOWMENT**

Our endowment (the Endowment) was established by donors to provide annual funding for specific activities and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the Board of Directors.

Our Board of Directors has interpreted the State of Wisconsin and Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2018, there were no such donor stipulations. As a result of this interpretation, we retain in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
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**NOTE 8 ENDOWMENT (CONTINUED)**

As of December 31, 2018, we had the following endowment net asset composition by type of fund:

	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 5,500	\$ -	\$ 5,500
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	-	1,094,827	1,094,827
Accumulated Investment Gains	-	185,066	185,066
Total	<u>\$ 5,500</u>	<u>\$ 1,279,893</u>	<u>\$ 1,285,393</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). We have interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**Investment and Spending Policies**

We have adopted investment and spending policies for endowment funds to maximize total return with a low level of risk. Under the Organization's spending policy, an amount not to exceed five percent of the value of the investments at the beginning of the year is available to draw down. Endowment funds include those assets of donor-restricted funds that the Organization must hold in perpetuity or for donor specified periods. The Organization has adopted a policy so that the endowment funds over time provide an average rate of return that results in a consistent inflation-protected rate of return. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed by management in coordination with the Board of Directors to not expose the funds to unacceptable levels of risk.

Changes in Endowment net assets for the year ended December 31, 2018 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 5,500	\$ 1,478,244	\$ 1,483,744
Investment Return, Net	-	(126,252)	(126,252)
Appropriation of Endowment Assets For Expenditure - 2018 Distribution	-	(72,099)	(72,099)
Endowment Net Assets - End of Year	<u>\$ 5,500</u>	<u>\$ 1,279,893</u>	<u>\$ 1,285,393</u>

**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
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**NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Expenditure for Specified Purpose:

Oneida Program	\$ 5,500
Holiday Party	491
Recruitment	1,300
Door County Program	183
Oconto County Program	78
Office Relocation	53,111
Total	<u>60,663</u>

Subject to the Passage of Time:

Beneficial Interests in Charitable Remainder Trust	50,507
Total	<u>50,507</u>

Endowments:

Subject to Organization's Endowment Spending Policy and

Appropriation:

Investment in Perpetuity	1,094,827
General Use	185,066
Total Endowments	<u>1,279,893</u>

Total Net Assets with Donor Restrictions	<u><u>\$ 1,391,063</u></u>
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Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2018:

Satisfaction of Purpose Restrictions:

Holiday Party	\$ 1,962
Recruitment	1,300
Volunteer Training	175
Office Relocation	6,889
Distributions (Proceeds are Not Restricted by Donors)	<u>72,099</u>

Total Net Assets Released from Donor Restrictions	<u><u>\$ 82,425</u></u>
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**BIG BROTHERS BIG SISTERS OF NORTHEAST WISCONSIN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 10 DONATED PROFESSIONAL SERVICES AND MATERIALS**

We received donated professional services and materials as follows during the year ended December 31, 2018:

	Program Services	Management and General	Fundraising and Development	Total
<u>December 31, 2018</u>				
Printing	\$ 2,194	\$ 313	\$ 2,696	\$ 5,203
Promotion Supplies	-	-	4,500	4,500
Event Fees	-	-	1,583	1,583
Event Prizes	-	-	14,733	14,733
Total	<u>\$ 2,194</u>	<u>\$ 313</u>	<u>\$ 23,512</u>	<u>\$ 26,019</u>

**NOTE 11 FUNCTIONALIZED EXPENSES**

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited. Those expenses include occupancy, which is allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, equipment rental and maintenance, furniture and equipment expenses, and certain office expenses, which are allocated based on estimates of time and usage as determined by management reviewing the job descriptions and activities for each employee. Record checks, liability insurance, dues, professional fees and volunteer appreciation are allocated based on usage as determined by management.

**NOTE 12 EMPLOYEE BENEFITS**

We sponsor a Simple IRA Plan (the Plan) qualified under IRC Section 403(b) covering substantially all full-time employees. The plan provides that employees who have earned at least \$5,000 may voluntarily contribute from 3% to 10% of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the board of directors each plan year. During the year ended December 31, 2018, we matched employee voluntary contributions up to 3%, resulting in contributions to the plan of \$6,411.

**NOTE 13 SUBSEQUENT EVENTS**

The Organization moved into a new facility during 2019. As such, the 2018 lease will terminate and a new lease will be entered into in 2019. Contributions received in 2018 restricted for Office Relocation are to be used for this purpose.