



Big Brothers Big Sisters
of Saginaw Bay Area

Financial Statements

**For the Year Ended
December 31, 2009**



SMITH & KLACZKIEWICZ, PC
CPA'S AND CONSULTANTS

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

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SMITH & KLACZKIEWICZ, PC
CPA'S AND CONSULTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers Big Sisters of
Saginaw Bay Area, Inc.
Saginaw, Michigan

We have audited the accompanying statements of financial position of ***Big Brothers Big Sisters of Saginaw Bay Area, Inc.*** (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Saginaw Bay Area, Inc.*** as of December 31, 2008 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Smith + Klaczkiwicz PC

Saginaw, Michigan
March 1, 2010

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Statement of Financial Position

December 31, 2009

(With Comparative Total Amounts for December 31, 2008)

	<u>Current Operations</u>	<u>Land, Building and Equipment</u>	<u>Endowment</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
<u>Assets</u>					
Current assets:					
Cash and cash equivalents	\$ 97,114	\$ -	\$ -	\$ 97,114	\$ 168,306
Prepaid expenses	6,871	-	-	6,871	5,425
Grants receivable	8,023	-	-	8,023	19,172
Other receivables	26,814	-	-	26,814	30,297
Total current assets	138,822	-	-	138,822	223,200
Noncurrent assets:					
Investments	104,872	-	-	104,872	89,585
Beneficial interest in assets held by others	-	-	17,955	17,955	14,306
Capital assets	-	79,886	-	79,886	85,452
Less: accumulated depreciation	-	(72,724)	-	(72,724)	(81,417)
Total noncurrent assets	104,872	7,162	17,955	129,989	107,926
Total Assets	\$ 243,694	\$ 7,162	\$ 17,955	\$ 268,811	\$ 331,126
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable	\$ 1,772	\$ -	\$ -	\$ 1,772	\$ 988
Accrued expenses	2,372	-	-	2,372	2,874
Capital lease payable	1,320	-	-	1,320	-
Total current liabilities:	5,464	-	-	5,464	3,862
Noncurrent liabilities:					
Capital lease payable	2,640	-	-	2,640	-
Total liabilities	8,104	-	-	8,104	3,862
Net Assets					
Unrestricted	225,590	7,162	-	232,752	303,958
Temporarily restricted	10,000	-	-	10,000	9,000
Designated funds acting as endowment	-	-	17,955	17,955	14,306
Total Net Assets	235,590	7,162	17,955	260,707	327,264
Total Liabilities and Net Assets	\$ 243,694	\$ 7,162	\$ 17,955	\$ 268,811	\$ 331,126

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

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Statement of Activities

For the Year Ended December 31, 2009

(With Comparative Total Amounts for the Year Ended December 31, 2008)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Endowment</u>	<u>Totals</u>	
				<u>2009</u>	<u>2008</u>
Revenue and Support					
Contributions	\$ 17,774	\$ -	\$ -	\$ 17,774	\$ 24,349
United Way	121,987	-	-	121,987	140,333
Investment income	2,298	-	343	2,641	2,635
Fundraising events	10,161	10,000	-	20,161	58,791
Grants	91,385	-	-	91,385	104,196
Unrealized gain (loss) on investments	14,816	-	3,449	18,265	(39,721)
Total Revenue and Support	<u>258,421</u>	<u>10,000</u>	<u>3,792</u>	<u>272,213</u>	<u>290,583</u>
Net assets released from restrictions					
Restriction satisfied by payments	9,000	(9,000)	-	-	-
Expenses					
Adult-Child surrogate	284,567	-	-	284,567	290,804
Management and general	40,510	-	143	40,653	41,538
Fundraising	13,550	-	-	13,550	13,847
Total Expenses	<u>338,627</u>	<u>-</u>	<u>143</u>	<u>338,770</u>	<u>346,189</u>
 Change in net assets	(71,206)	1,000	3,649	(66,557)	(55,606)
Net assets					
Beginning of year, as restated	<u>303,958</u>	<u>9,000</u>	<u>14,306</u>	<u>327,264</u>	<u>382,870</u>
End of year	<u>\$ 232,752</u>	<u>\$ 10,000</u>	<u>\$ 17,955</u>	<u>\$ 260,707</u>	<u>\$ 327,264</u>

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

Big Brothers Big Sisters of Saginaw Bay Area, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2009
(With Comparative Total Amounts for the Year Ended December 31, 2008)

	<u>Programs</u>	<u>Supporting Services</u>		<u>Totals</u>	
	<u>Adult-Child Surrogate Relationships Development</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2009</u>	<u>2008</u>
Salaries	\$ 157,222	\$ 22,460	\$ 7,487	\$ 187,169	\$ 193,199
Health & retirement	41,574	5,939	1,980	49,493	47,553
Payroll taxes	13,062	1,866	622	15,550	15,669
Total salaries and related expense	211,859	30,265	10,089	252,212	256,421
Advertising	1,609	230	77	1,916	2,944
Contract services	2,589	370	123	3,082	2,599
Professional fees	10,512	1,502	501	12,515	15,427
Supplies	5,394	771	257	6,422	5,134
Telephone	5,727	818	273	6,818	4,321
Postage & shipping	1,942	277	92	2,311	3,334
Occupancy	16,959	2,423	808	20,190	12,782
Equipment maintenance	1,391	199	66	1,656	1,918
Outside printing	2,041	292	97	2,430	2,018
Local transportation	6,086	870	290	7,246	9,645
Activities	7,692	1,099	366	9,157	16,849
Miscellaneous	1,313	187	62	1,562	2,078
Educational conference	1,747	249	83	2,079	2,447
Membership dues	6,382	912	304	7,598	7,241
Depreciation	1,324	189	63	1,576	1,031
Total expenses	<u>\$ 284,567</u>	<u>\$ 40,653</u>	<u>\$ 13,550</u>	<u>\$ 338,770</u>	<u>\$ 346,189</u>

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

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Statement of Cash Flows

For the Year Ended December 31, 2009

(With Comparative Total Amounts for the Year Ended December 31, 2008)

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (66,557)	\$ (60,556)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,576	1,031
Unrealized loss (gain) on investments	(18,265)	39,721
(Increase) decrease in operating assets		
Prepaid expenses	(1,446)	-
Grants receivable	11,149	11,000
Other receivables	3,483	(15,873)
Increase (decrease) in operating liabilities		
Accrued expense	(502)	101
Accounts payable	784	988
Due to grantor	-	(10,802)
Net cash provided by (used in) operating activities	<u>(69,778)</u>	<u>(34,390)</u>
Cash flows from capital and related financing activities		
Proceeds from installment purchase agreement	3,960	-
Purchases of capital assets	(4,703)	(3,698)
Net cash provided by (used in) capital and related financing activities	<u>(743)</u>	<u>(3,698)</u>
Cash flows from investing activities		
Net purchases and redemptions of investments	<u>(671)</u>	<u>(5,938)</u>
Net increase (decrease) in cash and cash equivalents	(71,192)	(44,026)
Cash and cash equivalents - beginning of year	<u>168,306</u>	<u>212,332</u>
Cash and cash equivalents - end of year	<u>\$ 97,114</u>	<u>\$ 168,306</u>

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

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2009

NOTE 1 – Summary of Significant Accounting Policies

The accounting policies of *Big Brothers Big Sisters of Saginaw Bay Area, Inc.* (the “Organization”) conform to generally accepted accounting principles. Following is a summary of the significant policies.

Nature of Organization

The Organization operates two centers in Michigan; one in Saginaw and one in Bay City. The Organization is committed to making a positive difference in the lives of children and youth, primarily through professionally supported One-To-One relationships with mentors who assist them in becoming confident, competent, and caring individuals. In addition, the Organization administered the Amachi grant program during a part of the year, which is a faith-based initiative to provide hope and understanding to children with incarcerated parents. The Organization receives funding from the United Way, grantors, fundraisers, and individual contributors.

Financial Statement Presentation

Method of Accounting

The financial statements of the Organization have been prepared utilizing the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

Net Assets

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets are available to support the Organization’s operating fund.

Temporarily Restricted Net Assets

These assets are limited to uses specified by donor-imposed restrictions. When donor restrictions expire or the nature and purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2009, the Organization had \$10,000 in temporarily restricted net assets.

Permanently Restricted Net Assets

Permanently restricted net assets have been stipulated by the donor that the principal is to be maintained intact and invested for the purpose of producing income which may be expended to support the Organization’s operations. At December 31, 2009, the Organization did not hold permanently restricted net assets.

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2009

Deposits and Investments

The Organization's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and/or certificates of deposit that mature within 90 days. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with original maturities of 180 days or less to be cash equivalents.

Capital Assets

Capital assets are defined by the Organization as items with an initial, individual cost of \$500 or more and an estimated useful life in excess of one year. Purchases of capital assets are stated at cost. Contributed capital assets are recorded at the fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. The Organization 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, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Revenue recognition

Grant revenue is received by the Organization for specific programs and is earned and reported as unrestricted revenue when related expenses are incurred.

Income Taxes

Big Brothers Big Sisters of Saginaw Bay Area, Inc. is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with U. S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Statement of Functional Expenses

The amounts reported as functional expenses are determined as a percentage of total expenses. Amounts reported as Program, Management and General and Fundraising expenses for the year ended December 31, 2009 were 84%, 12% and 4% of total expenses, respectively.

NOTE 2 – Net Assets

At December 31, 2009, temporarily restricted net assets of \$10,000 are available for Adult-Child surrogate relationship development, as defined by the donors.

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2009

NOTE 3 – Investments

Investments are stated at market value with unrealized gains or losses recognized in the accompanying Statements of Activities. A summary of investments as of December 31, 2009 is as follows:

Investments held by the Organization:

Stock Funds	
Fidelity Magellan	\$ 26,152
Fidelity Equity Income	32,928
Bond Funds	
Fidelity Government Income	4,133
Certificate of Deposit	<u>41,659</u>
Total	<u>\$ 104,872</u>

Investments held by Community Foundations:

Bay Area Community Foundation	\$ 8,328
Saginaw Community Foundation	<u>9,627</u>
Total	<u>\$ 17,955</u>

NOTE 4 – Capital Assets

At December 31, 2009 the balances in building and equipment and related accumulated depreciation were as follows:

Building	\$ 53,989
Furniture and fixtures	1,232
Equipment	24,665
Less: accumulated depreciation	<u>(72,724)</u>
Total	<u>\$ 7,162</u>

NOTE 5 – Donated Prizes and Services

The Organization receives donated auction items and bowling prizes from many individuals and organizations. Since the fair market value of these items is undeterminable, they have not been recorded in the financial statements. There were no donated services, which meet the disclosure requirements for the financial statements.

NOTE 6 – Retirement Plan

The Organization participates in a tax deferred retirement annuity plan as defined by Internal Revenue Code 403(b). The plan is subject to the provisions of the Employee Retirement Income Security Act (ERISA). An employee is eligible to participate after having been employed by the Organization for one year. Contributions to the plan can be made by participants and are supplemented by employer contributions up to 5% of gross pay. Employer contributions to the plan were \$6,981 for the year ended December 31, 2009.

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2009

NOTE 7 – Operating Lease

The Organization pays rent for occupancy on a month-to-month basis. The amount expensed for the year ended December 31, 2009 was \$4,225.

NOTE 8 – Capital Lease

During 2009 the Organization entered into a lease agreement as the lessee of a copier. The original lease-purchase amount and the remaining balance of the lease at December 31, 2009 was \$3,960. Annual lease payments required under the lease agreement for the years ending December 31st are as follows:

2010	\$ 1,320
2011	1,320
2012	<u>1,320</u>
Total	<u>\$ 3,960</u>

NOTE 9 – Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Amounts that were allocated and reported as Adult-Child Surrogate Relationships Development, Management and General and Fundraising expenses for the year ended December 31, 2009 were determined as 84%, 12% and 4% of total expenses, respectively.

NOTE 10 – Commitments and Contingencies

The Organization receives a substantial amount of its support from the United Way and one grantor. If a significant reduction in the level of this support were to occur, the Organization's programs and activities may be affected.

NOTE 11 – Concentration of Credit Risk

Cash deposits are held in a single financial institution and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The bank balance of the Organization's deposits including a certificate of deposit at December 31, 2009 was \$147,255. The entire balance of the Organization's deposits was insured by the FDIC at December 31, 2009.

NOTE 12 – Fundraising Revenue

The Organization generated \$20,161 in fundraising revenue for the year ended December 31, 2009.

NOTE 13 – Assets Held by Other Organizations

In a previous year, the Organization transferred cash to the Bay Area Community Foundation and to the Saginaw Community Foundation. The Foundations maintain variance power and legal ownership of these endowment funds. The Organization has recognized \$17,955 of assets

Big Brothers Big Sisters of Saginaw Bay Area, Inc.

Notes to Financial Statements

For the Year Ended December 31, 2009

held by the Foundations in the Statement of Financial Position as a beneficial interest in assets held by others.

The Foundations administer and preserve the funds. Fund principal will not be refunded to the Organization unless (a) the Organization and the Foundation governing boards approve fund principal to be expended, or (b) upon determination of the Community Foundation's Board of Trustees that the purpose of the Fund can no longer be achieved. At which case, fund principal may be distributed to one or more 501(c)(3) Organizations.

Upon request, fund income can be distributed to the Organization in accordance with the Fund Administrative Agreement.

NOTE 14 - Restatements / Prior Period Adjustment

During the year ended December 31, 2009 a restatement in the amount of \$4,950 was necessary to properly account for the balance in prepaid expenses. The error has been corrected and had the following effect on the beginning net assets and prior year prepaid expenses and insurance expense:

Beginning net assets, as previously stated	\$ 322,314
Adjustment for prepaid expenses	<u>4,950</u>
Beginning net assets, as restated	<u>\$ 327,264</u>
Prior year prepaid expenses, as previously stated	\$ 475
Adjustment for prepaid expenses	<u>4,950</u>
Prior year prepaid expenses, as restated	<u>\$ 5,425</u>

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