



BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY

Financial Statements

December 31, 2016 and 2015

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Table of Contents
December 31, 2016 and 2015

Independent Auditors' Report.....1

Financial Statements

Statements of Financial Position.....2 and 3

Statements of Activities4 and 5

Statements of Functional Expenses6 and 7

Statements of Cash Flows.....8

Notes to the Financial Statements..... 9 to 17



RUDD & COMPANY^{PLLC}

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of Gallatin County

We have audited the accompanying financial statements of Big Brothers Big Sisters of Gallatin County (a nonprofit organization) ("the Organization"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Gallatin County as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Rudd & Company, PLLC

Bozeman, Montana
November 8, 2017

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position
As of December 31,

	<u>2016</u>	<u>2015</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 346,001	\$ 305,091
Promises to give (net)	6,400	8,262
Prepaid expenses	9,232	9,274
	<u>361,633</u>	<u>322,627</u>
Property and Equipment		
Land	10,000	10,000
Equipment	55,313	55,313
Buildings and improvements	98,832	98,832
	<u>164,145</u>	<u>164,145</u>
Less: Accumulated depreciation	<u>(121,970)</u>	<u>(113,489)</u>
Property and equipment (net)	<u>42,175</u>	<u>50,656</u>
Other Assets		
Investments	35,999	-
Endowment investments	169,178	159,175
Certificates of deposit, noncurrent	61,663	61,295
	<u>266,840</u>	<u>220,470</u>
Total noncurrent assets	<u>266,840</u>	<u>220,470</u>
Total Assets	<u>\$ 670,648</u>	<u>\$ 593,753</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Financial Position (continued)
As of December 31,

	<u>2016</u>	<u>2015</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 5,968	\$ 4,606
Accrued payroll liabilities	12,285	11,093
Accrued vacation	<u>8,746</u>	<u>8,976</u>
Total current liabilities	<u>26,999</u>	<u>24,675</u>
Net Assets		
Unrestricted	469,471	409,903
Temporarily restricted	70,965	55,962
Permanently restricted	<u>103,213</u>	<u>103,213</u>
	<u>643,649</u>	<u>569,078</u>
Total Liabilities and Net Assets	<u>\$ 670,648</u>	<u>\$ 593,753</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 104,828	\$ -	\$ -	\$ 104,828
Contributions				
Local contributions	192,432	5,000	-	197,432
In-kind support	73,839	-	-	73,839
Net revenue from contributions	266,271	5,000	-	271,271
Special event revenue				
Special event revenue	179,506	-	-	179,506
Less: costs of direct benefits to donors	(113,884)	-	-	(113,884)
Net revenue from special events	65,622	-	-	65,622
Other income				
Investment income	3,457	10,003	-	13,460
Net revenue from other sources	3,457	10,003	-	13,460
Total revenue and support	440,178	15,003	-	455,181
Net Assets Released from Restriction	-	-	-	-
Expenses:				
Program	302,079	-	-	302,079
Fundraising	50,135	-	-	50,135
Administrative	28,396	-	-	28,396
Total operating expenses	380,610	-	-	380,610
Change in net assets	59,568	15,003	-	74,571
Net assets, beginning of year	409,903	55,962	103,213	569,078
Net assets, end of year	\$ 469,471	\$ 70,965	\$ 103,213	\$ 643,649

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Activities
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Support:				
Grants	\$ 108,167	\$ -	\$ -	\$ 108,167
Contributions				
Local contributions	164,511	-	-	164,511
In-kind support	91,809	-	-	91,809
Net revenue from contributions	<u>256,320</u>	<u>-</u>	<u>-</u>	<u>256,320</u>
Special event revenue				
Special event revenue	174,173	-	-	174,173
Less: costs of direct benefits to donors	<u>(122,966)</u>	<u>-</u>	<u>-</u>	<u>(122,966)</u>
Net revenue from special events	<u>51,207</u>	<u>-</u>	<u>-</u>	<u>51,207</u>
Other income				
Other income	(4,492)			(4,492)
Investment income (loss)	<u>1,750</u>	<u>(2,205)</u>	<u>-</u>	<u>(455)</u>
Net revenue from other sources	<u>(2,742)</u>	<u>(2,205)</u>	<u>-</u>	<u>(4,947)</u>
Total revenue and support	<u>412,952</u>	<u>(2,205)</u>	<u>-</u>	<u>410,747</u>
Net Assets Released from Restriction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenses:				
Program	285,457	-	-	285,457
Fundraising	52,467	-	-	52,467
Administrative	<u>25,825</u>	<u>-</u>	<u>-</u>	<u>25,825</u>
Total operating expenses	<u>363,749</u>	<u>-</u>	<u>-</u>	<u>363,749</u>
Change in net assets	49,203	(2,205)	-	46,998
Net assets, beginning of year	<u>360,700</u>	<u>58,167</u>	<u>103,213</u>	<u>522,080</u>
Net assets, end of year	<u>\$ 409,903</u>	<u>\$ 55,962</u>	<u>\$ 103,213</u>	<u>\$ 569,078</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 8,345	\$ 8,345	\$ -	\$ 16,690
Bank charges	-	44	249	293
Criminal records check	2,201	-	-	2,201
Depreciation	6,785	424	1,272	8,481
Dues and subscriptions	12,575	786	2,358	15,719
Fundraising	-	422	-	422
Insurance	9,387	552	1,104	11,043
Match activities	4,656	-	-	4,656
Office supplies	20,294	1,268	3,805	25,367
Personnel	205,692	35,552	12,697	253,941
Postage	776	776	1,034	2,586
Professional fees	7,616	476	1,428	9,520
Repairs and maintenance	1,046	65	196	1,307
Software	5,056	316	948	6,320
Telephone and internet	3,760	235	705	4,700
Training and meetings	10,910	682	2,046	13,638
Travel	44	8	3	55
Utilities	2,936	184	551	3,671
	<u>\$ 302,079</u>	<u>\$ 50,135</u>	<u>\$ 28,396</u>	<u>\$ 380,610</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Program</u>	<u>Fundraising</u>	<u>Administrative</u>	<u>Total</u>
Advertising	\$ 14,558	\$ 14,558	\$ -	\$ 29,116
Bank charges	-	67	380	447
Criminal records check	1,890	-	-	1,890
Depreciation	6,382	399	1,197	7,978
Dues and subscriptions	8,988	562	1,685	11,235
Fundraising	-	149	-	149
Insurance	8,256	486	971	9,713
Match activities	7,584	-	-	7,584
Office supplies	7,285	455	1,367	9,107
Personnel	188,344	32,553	11,626	232,523
Postage	621	622	829	2,072
Professional fees	14,042	878	2,633	17,553
Repairs and maintenance	843	53	158	1,054
Software	5,539	346	1,038	6,923
Telephone and internet	4,065	254	762	5,081
Training and meetings	13,939	871	2,613	17,423
Travel	154	29	10	193
Utilities	2,967	185	556	3,708
	<u>\$ 285,457</u>	<u>\$ 52,467</u>	<u>\$ 25,825</u>	<u>\$ 363,749</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Statements of Cash Flows
For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Increase in net assets	\$ 74,571	\$ 46,998
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation expense	8,481	7,978
Unrealized and realized (gain) loss on investments	(7,949)	14,185
Reinvested interest and dividends, net of fees	(3,427)	(5,500)
Loss on disposal of property and equipment	-	4,492
Donated property and equipment	-	(5,543)
Donated stock	(4,994)	
Allowance for doubtful accounts	-	-
Decrease (increase) in operating assets		
Promises to give	1,862	(3,686)
Prepaid expenses	42	(2,166)
Increase (decrease) in operating liabilities		
Accounts payable	1,362	(430)
Accrued liabilities	962	682
Net cash provided by operating activities	<u>70,910</u>	<u>57,010</u>
Cash Flows from Investing Activities		
Purchases of equipment	-	(13,293)
Purchases of investments	(30,000)	(58,792)
Proceeds from investment sales	-	52,075
Net cash used by investing activities	<u>(30,000)</u>	<u>(20,010)</u>
Net Change in Cash	40,910	37,000
Cash at Beginning of Year	<u>305,091</u>	<u>268,091</u>
Cash at End of Year	<u>\$ 346,001</u>	<u>\$ 305,091</u>
Supplemental information of non-cash activities:		
In-kind support	<u>\$ 73,839</u>	<u>\$ 91,809</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

1. Activities and Significant Accounting Policies

Nature of Activities

Big Brothers Big Sisters of Gallatin County (the “Organization”) is a charitable organization that provides needed support to children in the local community. The Organization has a satellite office in Ennis, Montana and a branch office in Big Sky, Montana. Big Brothers Big Sisters of Gallatin County is an agency of the national organization, Big Brothers Big Sisters of America, to which it pays franchise and management fees.

The Organization’s mission is to provide children facing adversity with strong and enduring, professionally supported 1-to-1 relationships that change their lives for the better, forever. The goal of Big Brothers Big Sisters of Gallatin County is that all children achieve success in life. The Organization matches youth in Gallatin and Madison County, aged 5 to 15 years, with carefully screened adult mentors. Each of these “match” relationships are supported by professional staff, who are experts at enrolling and supporting the volunteers, children, and families in the program. These “matches” establish trusting friendships which strengthen the many assets the children need to make positive choices and discourage problem behaviors. They spend time together outside of school, participating in activities they both enjoy. Revenues of the Organization are primarily earned from contributions, grants and special events.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) as codified by the Financial Accounting Standards Board.

Classification of Net Assets

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. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate unrestricted net assets for specific purposes or programs. Donor restricted contributions whose restrictions are met within the same year they are received are reflected as unrestricted contributions in the accompanying financial statements.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that permanently restrict the use of the assets to be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use income earned on related investments for general or specific purposes.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

Classification of Net Assets (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions of net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unrestricted promises to give that are scheduled to be received after one year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the cash is received and any purpose restrictions are met. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of contribution.

It is the policy of the Organization to report gifts of equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support.

Special Events

Special event income includes amounts received from participants in exchange transactions related to special events.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through November 8, 2017, the date which the financial statements were available for issue.

Cash and Cash Equivalents

The Organization considers highly liquid investments with original maturities of six months or less to be cash equivalents, unless donor-imposed restrictions limit their use to long-term purposes. As of December 31, 2016 and 2015, checking and savings accounts held by the Organization exceeded the federally insured limits by \$27,963 and \$0, respectively.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

Certificates of Deposits

Certificates of deposits with an original maturity of less than one year are considered short-term or current investments and are reported as cash and cash equivalents. Certificates of deposits with an original maturity of one year or more are considered long-term or noncurrent.

Endowment Investments

The Organization maintains most of its investments in an endowment account managed by outside parties. Interest-bearing deposits, equity securities, and debt securities are carried at fair value with the annual change in fair value recorded as investment income in the statement of activities.

Promises to Give

Promises to give are recorded and revenue is recognized at the time unconditional promises to give are made. These balances are stated at face value. Promises to give are reviewed periodically and management estimates the collectability of those accounts and records an allowance for uncollectable accounts as necessary. Pledged payments from promises to give as of year-end are scheduled to be received the following year. For the years ended December 31, 2016 and 2015, the allowance for promises to give was \$600.

In-Kind Support

The Organization records various types of in-kind support including contributed facilities, professional services, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by corresponding amounts reflected in expenses. For the years ended December 31, 2016 and 2015, the Organization received \$1,715 and \$5,243 of contributed services, respectively.

Additionally, the Organization receives a significant amount of contributed time, which does not meet the recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Advertising

The Organization expenses all advertising costs as they are incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs benefited.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

1. Activities and Significant Accounting Policies (continued)

Endowment Funds Held by Others

The Montana Community Foundation has endowment funds held on behalf of Big Brothers Big Sisters of Gallatin County. The amounts of these endowment funds as of December 31, 2016 and 2015 were \$28,670 and \$29,968, respectively. These amounts do not qualify to be recognized on the Organization's statement of financial position, but may provide an income stream in perpetuity.

Property and Equipment

Purchased property and equipment are carried at their historical cost. Donations of property and equipment are recorded at the assets' estimated fair value at the time of donation. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which range from three to thirty years. The costs of acquiring assets with values exceeding \$1,000 are capitalized. Normal repair and maintenance costs are expensed as incurred.

Income Taxes

The activities of the Organization are generally exempt from Federal and State income taxes under Internal Revenue Code §501(c)(3) and the Organization has been ruled not to be a private foundation. The Organization's tax returns for the years prior to 2013 are no longer subject to examination.

2. Fair Value Measurement

Investments and long-term certificates of deposits are carried at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs, using the market value approach. GAAP has established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

Level 1 – Quoted market prices available through public exchange venues for identical assets or liabilities.

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs for the asset or liability due to little or no market activity at the measurement date.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

2. Fair Value Measurement (continued)

Mutual funds are valued at the fair value of shares held at year end. Bank insured deposit program funds and long-term certificates of deposits are valued at fair value by discounting the related cash flows based on the current yields of similar instruments considering the creditworthiness of the issuer.

The fair value of investment holdings as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Level 1		
Marketable debt and equity securities		
Mutual funds - fixed income:		
Large blend fund	\$ 32,293	\$ 15,775
World bond fund	18,297	-
Intermediate-term bond fund	17,338	12,302
Sector and specialty funds	17,141	11,273
Mid-cap blend fund	16,486	15,706
Foreign large growth fund	15,104	-
Large value fund	14,620	-
Large growth fund	13,397	14,374
Multisector bond fund	8,536	-
Small blend fund	8,479	14,641
High yield bond fund	8,222	10,691
Corporate bond fund	8,207	-
Mid-cap growth fund	7,799	28,567
Small value fund	6,614	-
Diversified emerging markets fund	6,588	-
Inflation protected bond fund	-	16,048
World allocation fund	-	6,442
Mid-cap value fund	-	6,297
Foreign large blend fund	-	6,238
Total mutual funds	<u>199,121</u>	<u>158,354</u>
Other investments:		
Bank insured deposit program	<u>6,056</u>	<u>821</u>
Total Level 1	<u>205,177</u>	<u>159,175</u>
Level 2		
Certificates of deposits, noncurrent	<u>61,663</u>	<u>61,295</u>
Total	<u>266,840</u>	<u>220,470</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

3. Investments

Investment unrealized gains and losses are reflected in the statement of activities. Components of investment income and loss for the years ended December 31, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 4,673	\$ 3,850
Unrealized gain (loss)	2,170	(14,185)
Capital gain	1,139	4,846
Realized gains	5,772	5,220
Distribution from MT Community endowment	1,384	1,324
Less: Investment expenses	<u>(1,678)</u>	<u>(1,510)</u>
Total investment income (loss)	<u>\$ 13,460</u>	<u>\$ (455)</u>

4. Restricted Net Assets

Temporarily restricted net assets consist of net assets restricted by donors. Temporarily restricted net assets as of December 31, 2016 and 2015 are restricted as follows:

	<u>2016</u>	<u>2015</u>
Special event sponsorships	\$ 5,000	\$ -
Accumulated endowment income	<u>\$ 65,965</u>	<u>\$ 55,962</u>
Total temporarily restricted net assets	<u>\$ 70,965</u>	<u>\$ 55,962</u>

Permanently restricted net assets consist of an endowment for the benefit of the Organization's programs. Permanently restricted net assets as of December 31, 2016 and 2015 were \$103,213.

5. Endowment

The Organization's endowment consists of individual funds established for a variety of purposes. Its endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

5. Endowment (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Organization and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Organization; and
- (7) The investment policies of the Organization.

Changes in net asset composition by type of fund for the year ended December 31, 2016 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 55,962	\$ 103,213	\$ 159,175
Investment return:			
Interest, dividends and capital gains, net of expenses	2,696	-	2,696
Realized gains	6,168	-	6,168
Unrealized gains	1,139	-	1,139
Endowment net assets, end of year	<u>\$ 65,965</u>	<u>\$ 103,213</u>	<u>\$ 169,178</u>

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

5. Endowment (continued)

Changes in net asset composition by type of fund for the year ended December 31, 2015 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 58,167	\$ 103,213	\$ 161,380
Investment return:			
Interest and dividends, capital gains, net of expenses	6,760	-	6,760
Realized gains	5,220	-	5,220
Unrealized losses	(14,185)	-	(14,185)
Endowment net assets, end of year	<u>\$ 55,962</u>	<u>\$ 103,213</u>	<u>\$ 159,175</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Directors, the Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow endowment assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

BIG BROTHERS BIG SISTERS OF GALLATIN COUNTY
Notes to the Financial Statements
For the Years Ended December 31, 2016 and 2015

5. Endowment (continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year to support operations, after consideration of the seven factors listed above, an amount no more than the accumulated investment interest and dividends not previously appropriated. For the years ended, December 31, 2016 and 2015, the Organization did not appropriate any funds.

6. Retirement Plan

The Organization provides a SIMPLE IRA retirement plan to its employees. The Organization makes a matching contribution dollar for dollar up to 3% of each eligible employee's wages to the plan. To be eligible to participate in the plan, employees must receive at least \$1,000 in compensation during any two prior years and are reasonably expected to make at least \$500 in compensation during the current year.

The Organization's contributions to the retirement plan for the years ended December 31, 2016 and 2015 were \$3,321 and \$3,289, respectively.

7. In-Kind Support

During the years ended December 31, 2016 and 2015, the Organization recognized in-kind support as follows:

	<u>2016</u>	<u>2015</u>
Big event/Gala	\$ 1,300	\$ -
Bowl for kids sake	7,892	32,000
Celebrity golf	26,516	19,000
Gift wrap	4,840	2,200
Match activities	-	2,503
Advertising	12,835	20,997
Operations and supplies	18,741	4,323
Professional services	1,715	5,243
Property and equipment	-	5,543
Total	<u>\$ 73,839</u>	<u>\$ 91,809</u>