

BIG BROTHERS BIG SISTERS OF ALASKA

FINANCIAL STATEMENTS

For the Years Ended December 31, 2018 and 2017

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Alaska (BBBSAK) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 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 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 BBBSAK as of December 31, 2018 and 2017, 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.

Elgee Rehfeld

July 9, 2019

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 196,786	\$ 69,891
Accounts receivable:		
Current portion of pledges receivable, net	20,033	10,743
Grants	43,443	101,215
United Way	49,376	50,603
Other	18,355	19,533
Prepaid expenses	19,708	17,298
Total current assets	347,701	269,283
RESTRICTED - CASH AND CASH EQUIVALENTS	9,169	9,169
PLEDGES RECEIVABLE, LONG-TERM, net	11,875	4,389
OTHER ASSETS	6,776	5,056
Total assets	\$ 375,521	\$ 287,897
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 19,048	\$ 42,922
Payroll related liabilities	16,165	14,050
Accrued leave	32,337	30,045
Deferred revenue	130,398	46,268
Total current liabilities	197,948	133,285
NET ASSETS		
Without donor restrictions	136,496	130,311
With donor restrictions	41,077	24,301
Total net assets	177,573	154,612
Total liabilities and net assets	\$ 375,521	\$ 287,897

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

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Affiliate - For the Kids Foundation	\$ 200,000	\$ -	\$ 200,000
Individual donors	73,982	27,073	101,055
Corporate donors	197,878	-	197,878
Special event contributions	57,686	-	57,686
United Way	111,152	-	111,152
In-kind contributions	49,724	-	49,724
Grants:			
Federal government	453,043	-	453,043
State of Alaska	110,398	-	110,398
Local governments	69,286	-	69,286
Other	38,577	-	38,577
Gaming	9,505	-	9,505
Investment income, net	1,760	-	1,760
Other	11,678	-	11,678
Total revenues, gains, and other support	1,384,669	27,073	1,411,742
Net assets released from restriction -			
Satisfaction of time restriction - pledges receivable	10,297	(10,297)	-
Total revenues, gains, other support, and net assets released from restriction	1,394,966	16,776	1,411,742
EXPENSES - DIRECT			
Program services	960,302	-	960,302
Supporting services:			
General and administrative	188,113	-	188,113
Fundraising	190,642	-	190,642
EXPENSES - IN-KIND			
Program services	900	-	900
Supporting services -			
Fundraising	48,824	-	48,824
Total expenses	1,388,781	-	1,388,781
Change in net assets	6,185	16,776	22,961
NET ASSETS, beginning of year	130,311	24,301	154,612
NET ASSETS, end of year	\$ 136,496	\$ 41,077	\$ 177,573

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

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Affiliate - For the Kids Foundation	\$ 202,500	\$ -	\$ 202,500
Individual donors	85,363	-	85,363
Corporate donors	245,473	-	245,473
Special event contributions	100,322	-	100,322
United Way	110,454	-	110,454
In-kind contributions	49,363	-	49,363
Grants:			
Federal government	513,752	-	513,752
State of Alaska	223,949	-	223,949
Local governments	57,746	-	57,746
Other	10,384	-	10,384
Gaming	50,343	-	50,343
Investment income, net	1,659	-	1,659
Total revenues, gains, and other support	1,651,308	-	1,651,308
Net assets released from restriction -			
Satisfaction of time restriction - pledges receivable	45,763	(45,763)	-
Total revenues, gains, other support, and net assets released from restriction	1,697,071	(45,763)	1,651,308
EXPENSES - DIRECT			
Program services	1,152,960	-	1,152,960
Supporting services:			
General and administrative	195,096	-	195,096
Fundraising	312,505	-	312,505
EXPENSES - IN-KIND			
Program services	899	-	899
Supporting services -			
Fundraising	48,464	-	48,464
Total expenses	1,709,924	-	1,709,924
Change in net assets	(12,853)	(45,763)	(58,616)
NET ASSETS, beginning of year	143,164	70,064	213,228
NET ASSETS, end of year	\$ 130,311	\$ 24,301	\$ 154,612

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 694,642	\$ 115,924	\$ 103,509	\$ 914,075
Professional fees	92,830	55,343	38,208	186,381
Facilities	88,718	6,381	9,692	104,791
Special events expense	5	16	29,805	29,826
Insurance	21,040	3,624	-	24,664
Dues and subscriptions	16,765	274	4,606	21,645
Agency activities and screening	17,678	254	-	17,932
Travel	10,126	1,922	1,667	13,715
Office	7,696	906	971	9,573
Equipment	4,269	544	692	5,505
Other expenses	1,775	2,925	342	5,042
Advertising	4,758	-	-	4,758
Gaming expenses	-	-	1,150	1,150
Total direct expenses	<u>960,302</u>	<u>188,113</u>	<u>190,642</u>	<u>1,339,057</u>
IN-KIND EXPENSES				
Office and supplies	-	-	48,824	48,824
Agency activities	900	-	-	900
Total in-kind expenses	<u>900</u>	<u>-</u>	<u>48,824</u>	<u>49,724</u>
Total expenses	<u>\$ 961,202</u>	<u>\$ 188,113</u>	<u>\$ 239,466</u>	<u>\$ 1,388,781</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 778,020	\$ 69,194	\$ 201,818	\$ 1,049,032
Professional fees	146,931	118,691	-	265,622
Facilities	120,503	1,479	14,113	136,095
Special events expense	32	62	44,367	44,461
Insurance	25,193	-	-	25,193
Uncollectible pledges	-	-	23,363	23,363
Agency activities and screening	21,360	-	-	21,360
Gaming expenses	-	-	20,884	20,884
Dues and subscriptions	17,624	100	2,949	20,673
Travel	15,555	1,391	868	17,814
Advertising	10,652	-	559	11,211
Equipment	9,019	-	973	9,992
Office	6,667	569	2,519	9,755
Other expenses	1,404	3,610	92	5,106
Total direct expenses	<u>1,152,960</u>	<u>195,096</u>	<u>312,505</u>	<u>1,660,561</u>
IN-KIND EXPENSES				
Office and supplies	-	-	37,814	37,814
Advertising	-	-	10,650	10,650
Facilities - Internet	720	-	-	720
Agency activities	179	-	-	179
Total in-kind expenses	<u>899</u>	<u>-</u>	<u>48,464</u>	<u>49,363</u>
Total expenses	<u>\$ 1,153,859</u>	<u>\$ 195,096</u>	<u>\$ 360,969</u>	<u>\$ 1,709,924</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from contributions and grants	\$ 1,486,069	\$ 1,697,323
Investment income received	1,760	1,659
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes	(909,668)	(1,070,432)
Payments to suppliers	(451,266)	(627,309)
Net provided by operating activities	126,895	1,241
Cash and cash equivalents at beginning of year	79,060	77,819
Cash and cash equivalents at end of year	\$ 205,955	\$ 79,060

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

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Alaska (BBBSAK) is a nonprofit community organization dedicated to providing mentoring relationships between children and adults that provide a direct, measurable and lasting impact on children's lives. BBBSAK is affiliated with Big Brothers Big Sisters of America and serves the State of Alaska. A board of directors governs BBBSAK's activities.

Basis of Accounting

The financial statements of BBBSAK have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of BBBSAK have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require BBBSAK to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BBBSAK. These net assets may be used at the discretion of BBBSAK's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BBBSAK or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. BBBSAK also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Income Taxes:

BBBSAK is a nonprofit organization that is exempt from federal taxes under Section 501 (c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. BBBSAK is not classified as a private foundation. BBBSAK sells pull tabs to help fund its mentoring services, the revenue from which is subject to unrelated business income tax to the extent that revenues are not used for allowable expenditures as required under state gaming regulations. At December 31, 2018 and 2017, BBBSAK recorded tax expense of \$-0- and \$-0-, respectively, on this unrelated business activity.

BBBSAK follows the provisions of FASB ASC 740 *Income Taxes*, and management believes it has appropriate support for any tax positions taken. BBBSAK's federal income tax returns (Form 990)

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BBBSAK considers the balances in its demand deposit and savings accounts, money market funds, prepaid credit cards, certificates of deposit with remaining maturities of less than 12 months, and petty cash to be cash and cash equivalents. BBBSAK follows the requirements that gaming cash be maintained in a separate bank account.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted by donors for long-term purposes. Restricted cash and cash equivalents are comprised of the two endowment funds. Restrictions are described further in Note 5.

Grants Receivable

Grants receivable are reported net of an allowance for bad debt expense, which is estimated by management based on expected collectability of grants receivable.

Pledges Receivable

Pledges receivable are stated at the pledged value, less a discount and an allowance for uncollectible pledges which is estimated by management based on expected collectability of pledges receivable (see Note 3).

Equipment

Purchased equipment is carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is calculated by the straight-line method over the useful lives of the assets. BBBSAK capitalizes all expenditures for equipment in excess of \$5,000. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. There were no capitalized assets for the years ended December 31, 2018 and 2017.

Compensated Absences

All permanent employees accrue paid time-off (leave) from their date of hire. Employees can carry up to 180 hours of unused personal leave at any one time. An employee forfeits unused hours in excess of this amount. The cost of personal leave pay is recognized in the financial statements as it is accrued. Unused personal leave at termination is compensated in the form of a lump sum payment.

Endowment

BBBSAK's endowments consist of Lanie's fund, which was initially contributed as an endowment to Big Brothers Big Sisters Anchorage, and a contribution to Big Brother Big Sisters Fairbanks. As required by GAAP, net assets associated with these endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions, therefore these contributions are presented as net assets with donor restrictions. Only the original contribution amount was restricted by the donor and the interest earned on these endowments is available to be used for operations.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

Contributions and Promises to Give

Contributions are recorded in the statements of activities when received. Contributions received are recorded as with donor restrictions, or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

BBBSAK reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Contributions that are received and for which donor restrictions expire in the same period are recorded as support without donor restrictions.

Unconditional promises to give (pledges) are recognized as revenue in the period in which the promises are made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefits to be received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenue Recognition – Contracts and Grants

BBBSAK follows the guidance of FASB ASC 958-605, *Revenue Recognition*, to determine whether its federal, state, local, or other grant programs are contributions or exchange transactions for purposes of presentation in the accompanying financial statements.

Contracts and grants that are unrestricted are recorded as revenue in the statements of activities when earned. Exchange transactions with a grantor or other outside party for a particular purpose are deemed to be earned and reported as revenue when BBBSAK has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred revenue.

Donated Services and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by BBBSAK.

Contributed materials are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

Functional Allocation of Expenses

The cost of providing BBBSAK's various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. BBBSAK uses grant costing as its basis for allocating costs among program and administrative categories. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages, benefits and taxes are allocated based on each employee's area of service to the organization.
- Facilities are allocated based on employee function percentages.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

- Office expenditures are based on a combination of direct and indirect allocation. The indirect allocation is used for purchases such as bulk paper purchases, copier printing costs, etc.
- Equipment is based on an indirect allocation that is based on a usage study.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value Measurement

BBBSAK follows FASB ASC 820 *Fair Value Measurements*, which provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Change in Accounting Principles

BBBSAK implemented Financial Accounting Standard Board (FASB) ASU No. 2016-14 "Presentation of Financial Statements of Not-for-Profit Entities" in the current year, applying the changes retrospectively. The new standard changes the following aspects of the financial statements:

- The previously reported temporarily and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The format of the statements of cash flows has changed to the direct method of reporting cash flows from operations, which management believes is more understandable for the users of its financial statements.
- The financial statements include a disclosure about liquidity and availability of resources (note 2).

The changes had no effect on net assets at December 31, 2018 and 2017.

Recent Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on BBBSAK's financial position, results of operations, or cash flows. The impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2019 with early application permitted. BBBSAK plans to adopt ASU 2016-02 in its fiscal year ending December 31, 2020.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

ASU 2015-14

In August 2015, the FASB issued ASU No. 2015-14, *"Deferral of the Effective Date"* which modified ASU No. 2014-09, *"Revenue from Contracts with Customers (Topic 606)"* which was issued by the FASB in May 2014. These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standard and expanded disclosure requirements. ASU 2015-14 is effective for not-for-profit entities annual reporting periods beginning after December 15, 2018. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date annual periods beginning after December 15, 2016. BBBSAK plans to adopt ASU 2015-14 in its fiscal year ending December 31, 2019.

ASU 2016-18

In November 2016, the FASB issued ASU No. 2016-18, *"Statement of Cash Flows (Topic 230): Restricted Cash."* This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. ASU 2016-18 is effective for not-for-profit entities for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after 2019. The amendment is required to be applied retrospectively and early adoption is permitted. BBBSAK plans to adopt ASU 2016-18 in its fiscal year ending December 31, 2019.

ASU 2018-08

In June 2018, the FASB issued ASU 2018-08 – Not-for-Profit Entities (Topic 958): *"Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made."* The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. The amendments clarify how an entity determines whether a resource provider is participating in an exchange transaction by evaluating whether the resource provider is receiving commensurate value in return for the resources transferred. The amendments in the update are effective for fiscal years beginning after December 15, 2018 for transactions in which the entity serves as a resource recipient, and December 15, 2019 for transactions in which the entity serves as a resource provider. Early adoption permitted. BBBSAK plans to adopt ASU-2018-08 in its fiscal year ending December 31, 2019.

Subsequent Events

BBBSAK's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

Reclassification

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of December 31, 2018:

Financial assets at year end*:		
Cash and cash equivalents	\$	205,955
Accounts receivable		143,082
		<u>349,037</u>
Total financial assets		<u>349,037</u>
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Cash and investments subject to donor imposed restrictions:		
Pledges receivable		(31,908)
Lanie's Fund		(8,169)
Endowment Fund		(1,000)
		<u>(41,077)</u>
		<u>(41,077)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>307,960</u>

*Total assets, less nonfinancial assets (e.g. prepaid expenses)

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE RECEIVABLE

Unconditional promises to give (pledges) receivable at December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 24,464	\$ 19,683
Receivable in one to five years	16,347	6,680
	<u>40,811</u>	<u>26,363</u>
Gross unconditional promises to give	40,811	26,363
Less: Discounts to net present value*	(1,518)	(621)
Less: Allowance for uncollectible pledges receivable	<u>(7,385)</u>	<u>(10,610)</u>
Net unconditional promises to give	<u>\$ 31,908</u>	<u>\$ 15,132</u>

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

Reconciliation to net pledges receivable reported on the statements of financial position at December 31:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 24,464	\$ 19,683
Less: Allowance for uncollectible pledges receivable	<u>(4,431)</u>	<u>(8,940)</u>
Net current portion of pledges receivable	<u>\$ 20,033</u>	<u>\$ 10,743</u>

	<u>2018</u>	<u>2017</u>
Receivable in one to five years	\$ 16,347	\$ 6,680
Less: Discount to net present value*	(1,518)	(621)
Less: Allowance for uncollectible pledges receivable	<u>(2,954)</u>	<u>(1,670)</u>
Net long-term portion of pledges receivable	<u>\$ 11,875</u>	<u>\$ 4,389</u>

*Long-term pledges receivable are discounted at 5% of present value

NOTE 4 – RETIREMENT PLAN

BBBSAK offers a tax deferred retirement plan to all employees under a Thrift Plan, as allowed by the Internal Revenue Service code section 403(b). The Thrift Plan allows all employees to make contributions up to prescribed limits. Participants over 18 years of age who have completed one year of service for BBBSAK are eligible to receive employer contributions. Prior to August 1, 2011, BBBSAK contributed 3% of eligible participants' compensation to the plan. As of August 1, 2011, employer contributions to the plan are discretionary. For the years ended December 31, 2018 and 2017, contribution expense totaled \$-0- and \$-0-, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2018</u>	<u>2017</u>
Pledges receivable	\$ 31,908	\$ 15,132
An endowment (Lanie's Fund) established at BBBS-Anchorage	8,169	8,169
Donation for an endowment fund for BBBS-Fairbanks	<u>1,000</u>	<u>1,000</u>
Total net assets with donor restrictions	<u>\$ 41,077</u>	<u>\$ 24,301</u>

NOTE 6 – IN-KIND EXPENSE

Contributions of goods are valued at market rates that are generally provided by the donor. In fiscal years 2018 and 2017 in-kind contributions of \$49,724 and \$49,363, respectively, were

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

recognized as revenue and expense.

Many individuals volunteer their time and perform a variety of tasks that assist BBBSAK with specific assistance programs, campaign solicitations, and various committee assignments. The majority of BBBSAK's volunteers serve as mentors, and in fiscal years 2018 and 2017 mentors donated approximately 44,437 and 53,984 hours of their time, respectively. These donated services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605-25-16 have not been met.

NOTE 7 – RELATED PARTY TRANSACTIONS

In 1998, individuals involved with Big Brothers Big Sisters of Anchorage, Inc. (BBBSA) created For the Kids Foundation, Inc. (the Foundation) to serve as a fundraising support organization to BBBSA. On August 1, 2007 the Alaskan Big Brothers Big Sisters entities merged and BBBSA is now part of BBBSAK. The Foundation's enabling documents provide that it contribute its operating cash flow, net of expenses, capital and debt service outlays and a reasonable provision of reserves to BBBSA prior to the merger and to BBBSAK subsequent to the merger. The CEO of BBBSAK is the CEO of the Foundation, and the Foundation is governed by a board of directors independent of BBBSAK. The Foundation's board of directors monitors contributions to BBBSAK.

For the years ended December 31, 2018 and 2017 BBBSAK received \$200,000 and \$202,500 from the Foundation, respectively. BBBSAK provides administrative support to the Foundation for a fee equal to BBBSAK's cost. The amounts received from the Foundation consist of \$187,095 and \$193,555 in contributions, and \$12,905 and \$8,945 in administrative expenses, for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 – LEASES

Operating Leases

BBBSAK conducts its administrative operations from a leased facility. Lease payments for this facility were \$3,611 per month in fiscal year 2018. BBBSAK also has several month-to-month leases, and leases that renew annually, for the rental of office space at its various locations throughout Alaska. Lease expense for all of BBBSAK's locations totaled \$79,663 and \$105,189 for the years ended December 31, 2018 and 2017, respectively. The following is a schedule of future minimum lease payments under operating leases at December 31, 2018:

Year Ending December 31:	
2019	\$ 11,453
2020	7,745
2021	7,745
2022	7,745
2023	<u>7,100</u>
Total	<u>\$ 41,788</u>

In addition to its office leases, BBBSAK also has leases for its copiers.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – CONCENTRATIONS

Government Grant Revenue

BBBSAK receives a substantial amount of its support from federal and state grants. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

For the Kids Foundation

In 2018 and 2017, BBBSAK received 14.68% and 12.64%, respectively, of its revenues and public support, excluding in-kind, from the Foundation. The Foundation's income is derived primarily from its pickup service in which it collects donated items and re-sells them to a retail thrift store operator. Under the terms of the Foundation's annual contract for resale of donated goods, the Foundation is precluded from selling to other buyers.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grant Revenue and Receivables

Amounts received or receivable under grant programs from the federal government or State of Alaska are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although BBBSAK expects such amounts, if any, to be immaterial.

Fundraising Revenue

In 2018 BBBSAK received sponsorship revenue for its 2019 Bowl For Kids' Sake fundraiser. BBBSAK does not expect to cancel the fundraiser; however, if this were to occur, BBBSAK may be required to return the sponsorship revenue.

Gaming Revenue

BBBSAK receives gaming revenue that must be used for specific purposes to not be considered taxable income. BBBSAK has used all its gaming revenue for an allowable purpose and the amount, if any, considered to be taxable is expected to be immaterial.

Litigation

In the ordinary course of business, BBBSAK may be involved in legal actions, claims, employee matters, and disputes incidental to its operations. While the ultimate results of these items cannot be predicted with certainty, management does not expect at this time the resolution of them to have a material adverse effect on BBBSAK's financial position, results of operations, or its liquidity.