

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Detroit, Michigan

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended
December 31, 2017 and 2016

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of Metropolitan Detroit
Detroit, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Metropolitan Detroit (the "Organization"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows and functional expenses 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.

Auditors' 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 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 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.

Board of Directors
Big Brothers Big Sisters of Metropolitan Detroit

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 the Organization as of December 31, 2017 and 2016, 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.

Substantial Doubt about the Organization's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming bo parts, Inc. will continue as a going concern. As discussed in Note 2 to the financial statements, there is substantial doubt about the ability of the Organization to continue as a going concern at December 31, 2017. Management's evaluation of the events and conditions and management's plans in regard to that matter also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
September 6, 2018

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Statements of Financial Position
As of December 31, 2017 and 2016

ASSETS

	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 152,797	\$ 334,577
Grants receivable	82,081	65,038
Pledges receivable, net	-	3,000
Prepaid expenses	<u>6,030</u>	<u>1,748</u>
Total current assets	<u>240,908</u>	<u>404,363</u>
Office furniture and equipment		
Cost	31,446	31,446
Less accumulated depreciation	<u>(25,096)</u>	<u>(23,826)</u>
Total office furniture and equipment	<u>6,350</u>	<u>7,620</u>
Other assets		
Security deposit	<u>4,066</u>	<u>4,066</u>
Total Assets	<u>\$ 251,324</u>	<u>\$ 416,049</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities		
Accounts payable	\$ 13,895	\$ 7,691
Accrued payroll and other liabilities	28,111	19,443
Current portion of pension benefits	172,657	90,316
Deferred revenue	<u>-</u>	<u>56,734</u>
Total current liabilities	<u>214,663</u>	<u>174,184</u>
Long term liabilities		
Security deposit received	400	-
Pension benefits, net of current portion	<u>254,326</u>	<u>440,702</u>
Total long term liabilities	<u>254,726</u>	<u>440,702</u>
Total liabilities	<u>469,389</u>	<u>614,886</u>
Net assets (deficit)		
Unrestricted	(357,717)	(258,170)
Temporarily restricted	<u>139,652</u>	<u>59,333</u>
Total net assets (deficit)	<u>(218,065)</u>	<u>(198,837)</u>
Total Liabilities and Net Assets (Deficit)	<u>\$ 251,324</u>	<u>\$ 416,049</u>

See accompanying notes to financial statements

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Statements of Activities and Changes in Net Assets (Deficit) For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Contributions and revenue						
United Way for Southeastern Michigan	\$ 96,166	\$ 40,000	\$ 136,166	\$ 81,891	\$ 53,333	\$ 135,224
Other United Way Organizations	12,598	-	12,598	3,355	-	3,355
Office of Juvenile Justice	-	-	-	6,107	-	6,107
Contributions	142,336	-	142,336	151,346	-	151,346
Big Brothers Big Sisters of America - Comcast	40,000	-	40,000	30,000	-	30,000
Big Brothers Big Sisters of America - DOL Passthru	-	-	-	117,832	-	117,832
Big Brothers Big Sisters of America - FCA	31,006	-	31,006	-	-	-
Dresner Foundation	23,702	26,298	50,000	-	-	-
Michigan Masonic Charitable Foundation	25,146	10,354	35,500	-	-	-
McGregor Fund	9,000	63,000	72,000	-	-	-
The Skillman Foundation	56,734	-	56,734	141,546	5,000	146,546
Mid Atlantic NW of Youth & Family Services (MANY)	58,629	-	58,629	-	-	-
Foundations and other grants	64,020	-	64,020	63,332	-	63,332
Special events (net of direct costs of \$97,779 and \$44,389, respectively)	340,381	-	340,381	486,722	-	486,722
In-kind contributions	35,914	-	35,914	31,194	-	31,194
Other revenue	44,257	-	44,257	49,155	-	49,155
Total contributions and revenue	979,890	139,652	1,119,542	1,162,480	58,333	1,220,813
Net assets released from restrictions						
Satisfaction of time and purpose restrictions	59,333	(59,333)	-	94,377	(94,377)	-
Total contributions, revenue and net assets released from restrictions	1,039,223	80,319	1,119,542	1,256,857	(36,044)	1,220,813
Expenses						
Program services	793,841	-	793,841	879,500	-	879,500
Supporting services:						
Management and general	139,488	-	139,488	158,524	-	158,524
Fundraising	197,706	-	197,706	192,090	-	192,090
Total expenses	1,131,035	-	1,131,035	1,230,114	-	1,230,114
Change in Net Assets Before Other Items	(91,812)	80,319	(11,493)	26,743	(36,044)	(9,301)
Other Items						
Pension-related changes other than net periodic pension cost	(7,735)	-	(7,735)	(30,337)	-	(30,337)
Change in Net Assets (Deficit)	(99,547)	80,319	(19,228)	(3,594)	(36,044)	(39,638)
Net Assets (Deficit), Beginning of Year	(258,170)	59,333	(198,837)	(254,576)	95,377	(159,199)
Net Assets (Deficit), End of Year	<u>\$ (357,717)</u>	<u>\$ 139,652</u>	<u>\$ (218,065)</u>	<u>\$ (258,170)</u>	<u>\$ 59,333</u>	<u>\$ (198,837)</u>

See accompanying notes to financial statements

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Statement of Functional Expenses For the Year Ended December 31, 2017

		<u>Supporting Services</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2017 Total Expenses</u>
Employee compensation				
Salaries and wages	\$ 399,691	\$ 90,079	\$ 138,349	\$ 628,119
Employee benefits	27,560	4,728	7,426	39,714
Pension cost	31,822	7,172	11,015	50,009
Payroll taxes	<u>35,885</u>	<u>7,792</u>	<u>11,847</u>	<u>55,524</u>
Total employee compensation	494,958	109,771	168,637	773,366
Other Expenses				
Occupancy	55,952	6,882	8,065	70,899
Telephone	9,312	611	790	10,713
Professional services	34,191	14,022	4,362	52,575
Office supplies	11,052	2,164	654	13,870
Transportation and travel	20,308	884	2,409	23,601
Professional liability insurance	18,762	293	268	19,323
Postage and shipping	2,013	227	845	3,085
Meetings, conferences and training	8,127	1,399	533	10,059
Community and site-based program expenses	25,536	-	-	25,536
Outside printing and copying	2,494	297	2,283	5,074
Equipment repairs and maintenance	5,168	150	231	5,549
National dues	10,729	-	-	10,729
Scholarships	8,300	-	-	8,300
Recruitment and public relations	14,666	-	1,159	15,825
Memberships and subscriptions	1,700	128	395	2,223
Equipment lease and purchases	4,714	1,781	3,595	10,090
Interest and bank service charges	18,135	175		18,310
Employment costs	1,202	202	412	1,816
Miscellaneous expense	437	375	5	817
Security check fees	9,091	-	-	9,091
Bad debt expense	3,000	-	-	3,000
In-kind expense	33,041		2,873	35,914
Depreciation	<u>953</u>	<u>127</u>	<u>190</u>	<u>1,270</u>
Total expenses	<u>\$ 793,841</u>	<u>\$ 139,488</u>	<u>\$ 197,706</u>	<u>\$ 1,131,035</u>

See accompanying notes to financial statements

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Statement of Functional Expenses For the Year Ended December 31, 2016

	<u>Supporting Services</u>			2016
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Employee compensation				
Salaries and wages	\$ 460,189	\$ 115,928	\$ 130,369	\$ 706,486
Employee benefits	47,006	6,144	13,794	66,944
Pension cost	42,120	5,309	8,424	55,853
Payroll taxes	<u>42,629</u>	<u>10,533</u>	<u>11,166</u>	<u>64,328</u>
Total employee compensation	591,944	137,914	163,753	893,611
Other Expenses				
Occupancy	56,118	6,902	8,089	71,109
Telephone	9,612	2,191	703	12,506
Professional services	57,903	2,247	3,698	63,848
Office supplies	8,260	3,649	197	12,106
Transportation and travel	13,539	673	702	14,914
Professional liability insurance	19,098	298	273	19,669
Postage and shipping	2,128	686	3,222	6,036
Meetings, conferences and training	31,694	547	478	32,719
Outside printing and copying	2,626	607	1,623	4,856
Equipment repairs and maintenance	4,500	-	-	4,500
National dues	9,924	-	-	9,924
Scholarships	4,000	-	-	4,000
Recruitment and public relations	6,174	141	1,186	7,501
Memberships and subscriptions	1,265	39	634	1,938
Equipment lease and purchases	4,097	1,653	4,176	9,926
Interest and bank service charges	12,800	150	-	12,950
Bad debt expense	9,850	-	-	9,850
Miscellaneous expense	805	613	38	1,456
Security check fees	4,231	-	-	4,231
In-kind contributions	28,082	-	3,112	31,194
Depreciation	<u>850</u>	<u>214</u>	<u>206</u>	<u>1,270</u>
Total expenses	<u>\$ 879,500</u>	<u>\$ 158,524</u>	<u>\$ 192,090</u>	<u>\$ 1,230,114</u>

See accompanying notes to financial statements

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ (19,228)	\$ (39,638)
Adjustments to reconcile change in net assets to cash flows provided by (used in) operating activities:		
Bad debt expense	3,000	9,850
Depreciation	1,270	1,270
Changes in assets and liabilities:		
Grants receivable	(17,043)	41,481
Pledges receivable	-	(2,802)
Prepaid expenses	(4,282)	7,237
Accounts payable	6,204	(14,937)
Accrued payroll and other liabilities	8,668	(15,830)
Deposits	400	-
Pension benefits	(104,035)	50,853
Deferred revenue	(56,734)	(36,547)
Net cash provided by (used in) operating activities	(181,780)	937
Investing activities		
Purchase of equipment	-	(8,890)
Decrease in Cash and Cash Equivalents	(181,780)	(7,953)
Cash and Cash Equivalents, Beginning of Year	334,577	342,530
Cash and Cash Equivalents, End of Year	<u>\$ 152,797</u>	<u>\$ 334,577</u>
 Supplemental disclosure - cash paid for interest	 <u>\$ 414</u>	 <u>\$ 176</u>

See accompanying notes to financial statements

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Big Brothers Big Sisters of Metropolitan Detroit (the "Organization"), a member agency of Big Brothers Big Sisters of America, is a Michigan not-for-profit corporation formed to establish and strengthen an increasing number of mentoring relationships between adult volunteers and at-risk children in the metropolitan Detroit area. The Organization's principal program models are the community-based and site-based mentoring programs. Targeted initiatives within these program models include Community-based mentoring, Site-based mentoring and Sports Buddies. Revenues are derived principally from grants and contributions.

Significant Accounting Policies

Basis of Accounting – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Net Assets – Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit organizations to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2017 and 2016 there were no permanently restricted net assets.

Contributions – Contributions received by the Organization are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Contributions (cont.) - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Restricted grants or contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grants Receivable – Grants receivable are due from various agencies as reimbursement to the Organization for the cost of providing various program services.

Pledges Receivable – Unconditional promises to give that are expected to be collected in future years are recorded on the basis of amounts pledged by the contributors less a present value discount. Amortization of the discount is included in the Statements of Activities. No allowance for doubtful accounts has been recorded since it is management's opinion that all pledges receivable will be fully collectible.

Cash and Cash Equivalents – The Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. During the normal course of business, the Organization may maintain cash-on-deposit with financial institutions in excess of the federal insured limit of \$250,000. Of the total amount recorded, the amount held for an operating reserve was \$141,000 as of December 31, 2017 and 2016.

Office Furniture and Equipment – Office furniture and equipment are recorded at cost. Donations of furniture and equipment are recorded as contributions at their estimated fair values. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire office furniture and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Depreciation is computed on individual assets costing \$5,000 or greater using the straight-line method over the estimated useful lives of the assets. There are no planned maintenance activities for equipment.

Tax Status – The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accordingly, no tax provision is recorded in the financial statements.

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 1: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

Management Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses – The cost of providing the various programs and other activities has been summarized on a functional expense basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events – Subsequent events have been evaluated through September 6, 2018, the date the financial statements were available to be issued.

NOTE 2: GOING CONCERN

As indicated in the accompanying financial statements, the Organization reported a deficit in net assets of \$218,065 and cash and cash equivalents of \$152,797 as of December 31, 2017 compared to a deficit of \$198,837 and cash and cash equivalents of \$334,577 at December 31, 2016. As a result in the reduction of cash and cash equivalents, recurring losses, and growing deficit in net assets, which are associated primarily with significant legacy pension payments made in 2017 and the remaining unfunded pension benefit obligation, there is substantial doubt about the Organization's ability to continue as a going concern within one year after issuance date of the financial statements. To address the Organization's financial viability, management has filed a voluntary distress termination to the Pension Benefit Guaranty Corporation to alleviate the pension liability. The Organization has also implemented aggressive plans to increase fundraising and reduce costs until the pension matter is resolved. However, there can be no assurance that the Organization will be successful in achieving its objectives.

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern; however, because of the above conditions there is substantial doubt about the Organization's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Organization be unable to continue as a going concern.

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 3: FUNDRAISING SPECIAL EVENTS

Revenue and direct expenses from fundraising special events activities are summarized below for the years ended December 31, 2017 and 2016:

	2017			2016		
	Revenue	Direct Expenses	Net Proceeds	Revenue	Direct Expenses	Net Proceeds
The Big Event	\$ 58,058	\$ 41,889	\$ 16,169	\$ 74,935	\$ 25,584	\$ 49,351
Bowl for Kids' Sake	259,334	22,742	236,592	375,206	18,805	356,400
Golf Outing	-	-	-	80,970	-	80,970
The Great Big Auction	120,031	32,743	87,288	-	-	-
Scavenger Hunt	737	405	332	-	-	-
	<u>\$ 438,160</u>	<u>\$ 97,779</u>	<u>\$ 340,381</u>	<u>\$ 508,946</u>	<u>\$ 44,389</u>	<u>\$ 486,722</u>

NOTE 4: LEASES

The Organization leases office facilities and equipment under operating leases expiring on various dates through 2023. As of December 31, 2017, the future minimum rental payments are as follows:

Year Ended December 31	Minimum Payments
2018	\$ 69,221
2019	70,662
2020	72,880
2021	15,951
2022	4,491
2023 and later	873
Total	<u>\$ 234,078</u>

Rental expenses for the years ended December 31, 2017 and 2016 approximated \$61,700 and \$59,900, respectively.

NOTE 5: PENSION PLAN

In September of 2007, the Board of Directors of Big Brothers Big Sisters of Metropolitan Detroit approved a plan to disaffiliate from the plan administered by United Way for Southeastern Michigan. United Way was notified of this decision in October 2007. On December 31, 2007 the Employee Benefits Plan of Big Brothers Big Sisters of Metropolitan Detroit was established.

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 5: PENSION PLAN (cont.)

The pension plan's funded status and amounts recognized in the Organization's Statements of Financial Position and Statements of Activities and Changes in Net Assets as of and for the years ended December 31, 2017 and 2016 are as follows:

Funded Status:	<u>2017</u>	<u>2016</u>
Projected benefit obligation	\$(586,692)	\$(800,881)
Fair value of plan assets	<u>159,709</u>	<u>269,863</u>
Unfunded obligation	<u><u>\$(426,983)</u></u>	<u><u>\$(531,018)</u></u>
Amounts recognized in Statements of Financial Position		
Current liability	\$(172,657)	\$ (90,316)
Non-current liability	<u>(254,326)</u>	<u>(440,702)</u>
Total recognized	<u><u>\$(426,983)</u></u>	<u><u>\$(531,018)</u></u>
Net periodic pension cost for the year as follows:		
Service cost	\$ 23,709	\$ 27,062
Interest cost	30,351	30,621
Expected return on investments	(13,288)	(10,519)
Net amortization	<u>9,237</u>	<u>8,689</u>
Net periodic pension cost	<u><u>\$ 50,009</u></u>	<u><u>\$ 55,853</u></u>
Actuarial gain (loss) recognized in the Statements of Activities and Changes in Net Assets	<u><u>\$ (7,735)</u></u>	<u><u>\$ (30,337)</u></u>
Employer contributions	<u><u>\$ 161,779</u></u>	<u><u>\$ 35,337</u></u>
Benefits paid	<u><u>\$ 261,512</u></u>	<u><u>\$ 23,523</u></u>

Significant actuarial assumptions used in accounting for the pension plan at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Discount rate	3.81%	4.11%
Long-term rate of return	4.60%	4.60%
Rate of increase in future compensation levels	N/A	N/A

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 5: PENSION PLAN (cont.)

The pension plan investment policy directive is that the allocation of plan assets be subject to the following investment ranges:

<u>Asset Type</u>	<u>Range</u>
Domestic equities	50% - 60%
Fixed-income securities	35% - 45%
Foreign equities	0% - 10%

Cash and cash equivalents will be maintained at a level to handle monthly pension payments. The asset allocation for the Organization's pension plan trust account with Comerica Bank at December 31, 2017 and 2016, respectively, by asset category is as follows:

	<u>2017</u>	<u>2016</u>
Equity funds	60%	60%
Bond funds	40%	40%

All investment asset values are based on level 2 inputs.

The accumulated benefit obligation for the defined benefit plan was \$586,692 and \$800,881 at December 31, 2017 and 2016, respectively.

The following table sets forth estimated future benefit payments:

2018	\$ 58,936
2019	43,648
2020	33,773
2021	35,472
2022	36,634
2023- 2027	<u>206,117</u>
Total	<u>\$414,580</u>

The Plan's expected long-term rate of return on plan assets of 4.60% is primarily based on both historical returns and expected returns for each of the above categories, weighted based on target allocations for each class. In addition, third party data recording expected asset class returns and inflation has been considered. It is the Organization's policy to invest plan assets in a diversified mix of traditional asset classes, including equity and fixed income securities.

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 5: PENSION PLAN (cont.)

The assets are managed with the intent to maximize long-term returns, while ensuring sufficient liquidity will be available to meet ongoing benefit and administrative obligations. During the year ending December 31, 2018, the Organization expects to incur expense of \$44,393 for its defined benefit plan.

NOTE 6: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available as of December 31, 2017 and 2016 for the following purposes or periods:

Net Assets restricted by passage of specified time or purpose:

	<u>2017</u>	<u>2016</u>
United Way for Southeastern Michigan	\$ 40,000	\$ 53,333
McGregor Fund	63,000	-
The Skillman Foundation	-	5,000
Dresner Foundation	26,298	-
Michigan Masonic Charitable Foundation	10,354	-
Multiyear Promises to Give	<u>-</u>	<u>1,000</u>
	<u>\$ 139,652</u>	<u>\$ 59,333</u>

For the years ended December 31, 2017 and 2016, net assets were released from donor restrictions when expenses were incurred to satisfy the restricted purposes or by occurrence of events as specified by donors, as follows:

Purpose restrictions accomplished:	<u>2017</u>	<u>2016</u>
Big Brothers Big Sisters of America	\$ -	\$ 43,173
Office of Juvenile Justice	-	2,351
The Skillman Foundation	<u>5,000</u>	<u>-</u>
Total purpose restrictions accomplished	<u>5,000</u>	<u>45,524</u>

Time restrictions expired:

Multiyear Promises to Give	1,000	853
United Way for Southeastern Michigan	<u>53,333</u>	<u>48,000</u>
Total purpose restrictions accomplished	<u>54,333</u>	<u>48,853</u>
Total net assets released from donor restrictions	<u>\$59,333</u>	<u>\$94,377</u>

BIG BROTHERS BIG SISTERS OF METROPOLITAN DETROIT

Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 7: IN-KIND DONATIONS

The Organization received primarily donated goods, which were assigned a value at the time of receipt. The fair value of these goods has been recognized in the Statements of Activities as a revenue and expense because the criteria for recognition have been satisfied. The assigned value of these donated goods during 2017 and 2016 amounted to \$35,914 and \$31,194, respectively.

NOTE 8: FUTURE ACCOUNTING PRONOUNCEMENTS

During August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, Not-for-Profit Entities (Topic 958): "Presentation of Financial Statements of Not-for-Profit Entities." The new guidance is intended to improve and simplify the current net asset classification requirements and information presented in financial statements and notes that is useful in assessing a not-for-profit's liquidity, financial performance and cash flows. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. ASU 2016-14 is to be applied retroactively with transition provisions. The Organization is assessing the impact this standard will have on its special-purpose financial statements.

During May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

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Notes to the Financial Statements
As of and for the Years Ended December 31, 2017 and 2016

NOTE 8: FUTURE ACCOUNTING PRONOUNCEMENTS (cont.)

During November 2016, the FASB issued ASU 2016-18 "Restricted Cash", which requires that a statement of cash flows explains the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, and interim period within fiscal years beginning after December 15, 2019, and should be applied on a retrospective transition basis. Early adoption is permitted. The Organization is currently evaluating the effect that ASU 2016-18 will have on its results of operations, financial position and cash flows.