# CATHOLIC BIG BROTHERS BIG SISTERS, INC

(A Nonprofit California Corporation)

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
Years Ended June 30, 2016
And June 30, 2015

# CATHOLIC BIG BROTHERS BIG SISTERS, INC

(A Nonprofit California Corporation)

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#### INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Catholic Big Brothers Big Sisters, Inc. Los Angeles, California

October 18, 2016

I have audited the accompanying statement of financial position of Catholic Big Brothers Big Sisters, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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**

My responsibility is to express an opinion on these financial statements based on our audits. I 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 estimate made by management, as well as evaluating the overall presentation of the financial statements.

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

# **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Big Brothers Big Sisters, Inc. as of June 30, 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.

Raul Carrega

Glendale, California

# CATHOLIC BIG BROTHERS BIG SISTERS, INC. Statements of Financial Position

	As of June 30 2016	As of June 30 2015
Current Assets:		
Cash and cash equivalents	\$194,828	\$129,931
Cash-unemployment trust (note 5)	40,035	39,047
Accounts receivable	341,150	27,134
Advances	-	-
Prepaid expenses	10,600	16,533
	586,613	212,645
Restricted Deposits		
Investments (note 2)	878,487	1,044,895
Property and equipment, net (note 3)	34,652	46,593
Total Assets	\$1,499,752	\$1,304,133
Current Liabilities:		
Accounts payable	7,080	6,476
Accrued liabilities (note 4)	90,647	84,901
Accrued unemployment liability (note 5)	40,035	39,047
Deferred Revenue	<del>-</del>	2,000
Total Liabilities	137,762	132,424
Net Assets:		
Unrestricted	443,357	253,076
Temporarily Restricted	-	-
Permanently Restricted (note 13)	918,633	918,633
Total Net Assets	1,361,990	1,171,709
Total Liabilities and Net Assets	\$1,499,752	\$1,304,133

# CATHOLIC BIG BROTHERS BIG SISTERS, INC. Statement of Activities For the Years Ended

REVENUES	Unrestricted	Temporarily Restricted	Permanently _ Restricted	June 30, 2016 Total	June 30, 2015 Total
Contributions	\$73,443	_	_	\$73,443	\$143,608
Grants & contract	405,544	_	_	405,544	133,367
Special events - net (note 7)	566,281	_	_	566,281	372,002
Interest income and dividends	24,063	_	_	24,063	34,974
United Way	7,332	_	_	7,332	8,287
Car Program - net (note 7)	6,406	_	_	6,406	4,151
Other income	724	_	_	724	6,521
In-Kind Donation	-	-	-	-	2,000
Gain (loss) on investments	(38,410)	-	-	(38,410)	(11,080)
Total revenues	1,045,383	-	-	1,045,383	693,830
EXPENSES					
Program services	572,551	_	_	572,551	541,441
Management and general	95,922	-	-	95,922	100,172
Fundraising	186,629	-	-	186,629	77,932
Total expenses	855,102	-	-	855,102	719,545
Change in net assets	190,281	-	-	190,281	(25,715)
Net assets as of beginning of year	253,076	-	918,633	1,171,709	1,197,424
Net assets as of end of year	\$443,357	\$-	\$918,633	\$1,361,990	\$1,171,709

# CATHOLIC BIG BROTHERS BIG SISTERS, INC. Statement of Functional Expenses For the Years Ended

	Program Services	Management and General	Fundraising	June 30, 2016	June 30, 2015
			•		•
Salaries	\$391,329	\$57,920	\$121,233	\$570,482	\$481,210
Employee benefits	47,402	4,779	10,555	62,736	46,264
Payroll taxes	29,651	4,324	9,186	43,161	35,397
	468,382	67,023	140,974	676,379	562,871
Professional fees	11,617	994	12,654	25,265	14,800
Rent	33,010	3,020	6,992	43,022	42,558
Supplies and materials	12,224	1,469	4,645	18,338	19,661
Travel and entertainment	2,703	172	275	3,150	2,631
Office expense	2,227	2,975	445	5,647	4,633
Bank and investment fees	-	14,460	1,275	15,735	13,863
Volunteer recruitment	1,003	74	-	1,077	385
Dues and subscriptions	10,575	1,907	4,340	16,822	15,368
Telephone	8,174	1,146	1,843	11,163	10,210
Depreciation	9,159	839	1,943	11,941	8,105
Insurance	10,051	918	2,126	13,095	12,853
Postage and shipping	880	198	7,931	9,009	1,980
Conferences and conventions	647	-	956	1,603	502
Advertising	1,849	376	230	2,455	2,621
Bad Debts	-	-	-	-	3,500
Other expenses	-	250	-	250	2,909
Taxes and licenses	50	101	-	151	95
Total functional expenses	572,551	95,922	186,629	855,102	719,545

# CATHOLIC BIG BROTHERS BIG SISTERS, INC. Statement of Cash Flows For the Years Ended

OPERATING ACTIVITIES	June 30, 2016	June 30, 2015
Change in net assets	\$190,281	\$(25,715)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities		
Depreciation	11,940	8,105
Loss on investments	38,410	11,080
Reinvested income and dividends	(24,063)	(34,974)
(Increase) decrease in accounts receivable	(314,016)	(1,360)
(Increase) decrease in unemployment trust	(988)	-
(increase) decrease in prepaid expenses	5,933	11,907
Increase (decrease) in accounts payable	604	2,215
Increase (decrease) in accrued liabilities	5,746	1,487
Increase (decrease) in unemployment reserve	988	· -
Increase (decrease) in deferred income	(2,000)	(19,000)
Net cash provided by operating activities:	(87,165)	(46,255)
INVESTING ACTIVITIES		
Disposal and Acquisition of fixed assets	\$26,389	\$(36,104)
Transfers from investments accounts	145,000	190,000
Purchases and proceeds from investments	(19,327)	6,415
Net cash used by investing activities	152,062	160,311
Net increase (decrease) in cash and cash equivalents	64,897	114,056
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	129,931	15,875
CASH AND CASH EQUIVALENTS, END OF YEAR	\$194,828	\$129,931

## Note: 1 NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Catholic Big Brothers Big Sisters, Inc. ("CBBBS"), established in 1925, is a non-sectarian, 501(c)(3) nonprofit organization whose mission is to transform lives through rewarding and enriching relationships between trained mentors and youth of all faiths and backgrounds throughout Los Angeles County. CBBBS has developed a broad spectrum of partnership programs and services over the years that focus on the needs of children between ages of seven and eighteen who are living in mostly single-parent families, including children of incarcerated. CBBBS offers one-to-one mentoring programs, school and site based programs.

Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**Basis of Presentation** 

The accompanying financial statements have been prepared on the accrual basis of accounting.

#### Accounting

The accounts of CBBBS are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

### Note 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily Restricted. CBBBS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit CBBBS to expend all of the income (or other economic benefits) derived from the donated assets.

#### **Affiliates**

CBBBS is affiliated with Big Brothers Big Sisters of America. There are now almost 330 affiliated Big Brothers Big Sisters agencies nationwide that mentor at-risk youth.

### Cash and Cash Equivalents

CBBBS has defined cash and cash equivalents as cash in banks and money market funds in a security institution.

#### Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

#### Contributions and Pledges Receivable

Unconditional contributions, including pledges recorded at estimated net realizable value, are recognized as revenue in the period received. CBBBS reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets.

### Note 1: NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Investments

CBBBS values its investments at fair value. Unrealized gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Short-term, highly liquid money market deposits that are not used for operations are treated as investments.

The Organization has adopted SFAS 124, "Accounting for Certain Investments Held by Notfor-Profit Organization". Under SFAS 124, investments in marketable securities with readily marketable determinable fair values and all investments in debt securities are reported at their fair market value on the statement of financial position. Unrealized gains and losses are reported in the statement of activities.

## Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than one year.

The Organization is subject to the provisions of Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144). SFAS No. 144 requires impairment losses to be recorded on Long-Lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized this fiscal year.

## Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at estimated fair value at June 30, 2016 and are deemed fully collectible; accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2016 is expected to be collected within the next twelve month period.

# Note 2: **INVESTMENTS**

Investments consist of the following:

	June 30, 2016	June 30, 2015
Cash & Cash Equivalents	\$46,556	\$25,376
Equity securities	494,241	949,476
Fixed Income / Other	337,690	70,043
	\$878,487	\$1,044,895

#### Concentrations of Credit Risk

The Organization's cash and cash equivalents are maintained in various accounts. The Organization has exposure to credit risk to the extent that its cash and cash equivalents may exceed amounts covered by federal deposit insurance.

#### Investment Income

The following schedule summarizes the investment income and its classification in the statement of activities for the years ended.

		Permanently		
	Unrestricted	Restricted	June 30, 2016	June 30, 2015
Interest and Dividends	\$24,063	-	\$24,063	\$34,974
Realized gains (losses)	(38,410)	-	(38,410)	(11,080)
	\$(14,347)	-	\$(14,347)	\$23,894

### Note 3: **PROPERTY AND EQUIPMENT**

	June 30, 2016	June 30, 2015
Computers	\$12,939	\$39,328
Furniture and equipment	124,563	124,563
Total property and equipment	137,502	163,891
Less accumulated depreciation	(102,850)	(117,298)
	\$34,652	\$46,593

Depreciation for the fiscal years June 30, 2016 and 2015 are \$11,941 and \$8,105.

## Note 4: **ACCRUED LIABILITIES**

Accrued liabilities consist of the following:	June 30, 2016	June 30, 2015
Paid Time Off Accrued payroll and payroll taxes	\$64,860 25,787	\$61,645 23,256
	\$90,647	\$84,901

#### Note 5: **ACCRUED UNEMPLOYMENT LIABILITY**

CBBBS has elected to be self-insured for purposes of California State Unemployment Insurance. The accrued unemployment liability at June 30, 2016 of \$40,035 represents estimated future claims arising from payroll paid to June 30, 2016. The cash amount of \$40,035 held by the trust as a reserve for future claims, is reflected as a separate line item in the Statement of Financial Position.

### Note 6: LEASE COMMITMENT

CBBBS rents office space. The main office is located at 1530 James Wood Blvd., Los Angeles, California. CBBBS rents various rooms on the second floor on a month to month. CBBBS leases from the City of Pasadena the use of room 209. The term of the contract is from July 1, 2015 to June 30, 2016. Rent for the main office is \$3,360 a month, the Pasadena rooms are \$198 a month.

Total rent for the year was \$43,022.

#### Note 7: SPECIAL EVENTS & CAR PROGRAM

CBBBS organizes special fundraising events throughout the year. The amounts recorded for special events were \$765,332 and expenses of \$199,051.

CBBBS received donations of used vehicles through its car donation program. The year June 30, 2015, CBBBS recorded contributions of \$12,690 for it's donated vehicles and total expenses of \$6,284 for the cost of selling the donated vehicles.

## Note 8: **COMMITMENTS AND CONTINGENCIES**

#### Contracts

CBBBS' grants and contracts are subject to inspection and audit by the appropriate governmental funding agencies. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CBBBS has no provision for the possible disallowance of program cost on its financial statements.

### Note 9: **DONATED SERVICES**

The Organization receives a significant amount of donated services from unpaid volunteers who provide one-to-one youth mentoring and assist in fund-raising and special projects. These services have not been recorded in the financial statements since no objective basis is available to measure the value of such services.

# Note 10: FUNCTIONAL ALLOCATION OF EXPENSES

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

#### Note 11: **RELATED PARTIES**

For the year ended June 30, 2016, CBBBS received investment counsel from a member of the Board of Directors in the member's capacity as an account executive with a third party investment firm. Annual payments to the investment firm for counseling services were \$7,068 for the fiscal year ended.

# Note 12: SUBSEQUENT EVENTS

Events subsequent to June 30, 2016 have been evaluated through October 18, 2016, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.

# Note 13: **PERMANENTLY RESTRICTED NET ASSETS**

CBBBS was named as a beneficiary in the life of Dr. Rudolfo Montes ("Montes Trust"), which was terminated in 1987. Permanently restricted net assets represent the assets distributed to CBBBS, which the Montes Trust has stipulated that the principal is to be kept intact in perpetuity and only the income therefore may be expended to conduct programs to benefit Hispanic children. The Montes Trust further stipulated that up to fifty percent of the endowment corpus may be used to acquire or improve buildings or equipment. CBBBS utilized the Montes Trust corpus to acquire a building and made improvements. The building served as CBBBS' headquarters until it was sold in May 2007. As a result, the building purchase price of \$468,000 reverted back to permanently restricted net assets. At June 30, 2016, permanently restricted net assets were \$918,633.