BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

FORT WAYNE, INDIANA

Financial Statements

as of December 31, 2017 and 2016

CONTENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters
of Northeast Indiana, Inc.
Fort Wayne, Indiana

We have audited the accompanying financial statements of Big Brothers Big Sisters of Northeast Indiana, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audit 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 Northeast Indiana, Inc. as of December 31, 2017 and 2016 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Leonard J. Andorfer & Co., LLP

LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

April 25, 2018

BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

Statements of Financial Position

ASSETS	December 31 2017	December 31 2016
Cash and cash equivalents	$ 1,173,660	$ 899,986
Investments	3,118,745	2,537,661
Pledges receivable (net)	316,823	443,086
Grant receivable	-	62,937
Prepaid expenses	22,441	24,365
Beneficial interest - Community Foundations	333,680	251,994
Accrued income	22,878	18,066
Property and equipment - net	195,686	136,706
TOTAL ASSETS	$ 5,183,913	$ 4,374,801
LIABILITIES AND NET ASSETS		
Accounts payable	$ 18,235	$ 43,732
Accrued liabilities	270,433	269,612
Total Liabilities	288,668	313,344
Net Assets		
Unrestricted - operational	1,140,493	858,722
Board designated - endowment	2,608,460	2,116,818
Total Unrestricted	3,748,953	2,975,540
Temporarily restricted	146,292	85,917
Permanently restricted	1,000,000	1,000,000
Total Net Assets	4,895,245	4,061,457
TOTAL LIABILITIES AND NET ASSETS	$ 5,183,913	$ 4,374,801

See Independent Auditor's Report
and Notes to Financial Statements.

BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2017	Totals 2016
SUPPORT AND REVENUE					
Contributions	$ 500,225	$	$	$ 500,225	$ 428,320
Campaign contributions	409,955			409,955	97,659
Foundation grants	603,675	42,500		646,175	527,255
Government grants	71,471			71,471	49,939
United Way	189,813			189,813	260,605
Fund raising events					
Proceeds	932,039	105,875		1,037,914	989,641
Less: cost of direct benefits to donors	(226,130)			(226,130)	(179,085)
In-kind contributions	119,411			119,411	104,148
Gain on sale of assets	6,370			6,370	-
Investment income	45,004			45,004	51,242
Unrealized gain on investments	274,035			274,035	140,178
Total Support and Revenue	2,925,868	148,375		3,074,243	2,469,902
Net Assets Released From Restrictions	88,000	(88,000)			
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	3,013,868	60,375		3,074,243	2,469,902
EXPENSES					
Programs	1,772,045			1,772,045	1,731,410
Management and general	96,482			96,482	91,693
Fund raising	371,928			371,928	325,436
Total Expenses	2,240,455			2,240,455	2,148,539
CHANGE IN NET ASSETS	773,413	60,375		833,788	321,363
NET ASSETS - BEGINNING OF YEAR	2,975,540	85,917	1,000,000	4,061,457	3,740,094
NET ASSETS - END OF YEAR	$ 3,748,953	$ 146,292	$ 1,000,000	$ 4,895,245	$ 4,061,457

See Independent Auditor's Report
and Notes to Financial Statements.

BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

Statement of Activities and Changes in Net Assets
Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2016
SUPPORT AND REVENUE				
Contributions	$ 368,320	$ 60,000	$	$ 428,320
Campaign contributuions	97,659			97,659
Foundation grants	504,338	22,917		527,255
Government grants	49,939			49,939
United Way	260,605			260,605
Fund raising events				
Proceeds	986,641	3,000		989,641
Less: cost of direct benefits to donors	(179,085)			(179,085)
In-kind contributions	104,148			104,148
Investment income	51,242			51,242
Unrealized gain on investments	140,178			140,178
Total Support and Revenue	2,383,985	85,917		2,469,902
Net Assets Released From Restrictions	60,000	(60,000)		
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	2,443,985	25,917		2,469,902
EXPENSES				
Programs	1,731,410			1,731,410
Management and general	91,693			91,693
Fund raising	325,436			325,436
Total Expenses	2,148,539			2,148,539
CHANGE IN NET ASSETS	295,446	25,917		321,363
NET ASSETS - BEGINNING OF YEAR	2,680,094	60,000	1,000,000	3,740,094
NET ASSETS - END OF YEAR	$ 2,975,540	$ 85,917	$ 1,000,000	$ 4,061,457

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and Notes to Financial Statements.

BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses
Year Ended December 31, 2017
(With Comparative Totals for the Year Ended December 31, 2016)

	Programs	Management and General	Fund Raising	Totals 2017	Totals 2016
Salaries	$ 889,247	$ 54,224	$ 137,116	$ 1,080,587	$ 1,037,824
Employee benefits	125,491	7,652	19,350	152,493	120,151
Payroll taxes	71,141	4,338	10,969	86,448	86,038
Other	74,759	1,471	3,853	80,083	77,410
Total Salaries and Related Expenses	1,160,638	67,685	171,288	1,399,611	1,321,423
Program expense	108,107			108,107	155,176
Supplies	13,323	812	2,054	16,189	13,622
Printing	6,770	413	1,044	8,227	7,889
Travel and training	39,006			39,006	31,507
Mileage	18,837	789	2,436	22,062	26,171
Property and equipment expense	11,919	501	1,268	13,688	13,369
Building expense	148,791	9,073	22,943	180,807	184,821
Advertising/promotions	17,507			17,507	6,647
Insurance	47,026	2,867	7,251	57,144	57,416
Professional services		8,700		8,700	8,500
Postage	7,818	477	1,206	9,501	11,308
Dues	77,293	1,537	5,449	84,279	79,299
Telephone and internet	11,372	693	1,754	13,819	14,459
Miscellaneous	7,667	468	1,183	9,318	7,906
Special events	55,516		147,814	203,330	160,067
Campaign expenses				-	486
Total Expenses Before Depreciation	1,731,590	94,015	365,690	2,191,295	2,100,066
Depreciation	40,455	2,467	6,238	49,160	48,473
Total Expenses	$ 1,772,045	$ 96,482	$ 371,928	$ 2,240,455	$ 2,148,539

See Independent Auditor's Report
and Notes to Financial Statements.

BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

Statement of Functional Expenses
Year Ended December 31, 2016

	Programs	Management and General	Fund Raising	Totals 2016
Salaries	$ 851,016	$ 51,891	$ 134,917	$ 1,037,824
Employee benefits	98,523	6,008	15,620	120,151
Payroll taxes	70,551	4,302	11,185	86,038
Other	72,745	1,296	3,369	77,410
Total Salaries and Related Expenses	1,092,835	63,497	165,091	1,321,423
Program expense	155,176			155,176
Supplies	11,170	681	1,771	13,622
Printing	6,469	394	1,026	7,889
Travel and training	31,507			31,507
Mileage	22,503	373	3,295	26,171
Property and equipment expense	11,444	535	1,390	13,369
Building expense	151,553	9,241	24,027	184,821
Advertising/promotions	6,647			6,647
Insurance	47,081	2,871	7,464	57,416
Professional services		8,500		8,500
Postage	9,273	565	1,470	11,308
Dues	72,653	1,470	5,176	79,299
Telephone and internet	11,856	723	1,880	14,459
Miscellaneous	6,484	395	1,027	7,906
Special events	54,612		105,455	160,067
Campaign expenses	399	24	63	486
Total Expenses Before Depreciation	1,691,662	89,269	319,135	2,100,066
Depreciation	39,748	2,424	6,301	48,473
Total Expenses	$ 1,731,410	$ 91,693	$ 325,436	$ 2,148,539

See Independent Auditor's Report
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BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.

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

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 833,788	$ 321,363
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	49,160	48,473
Unrealized gain on investments	(274,035)	(140,178)
Gain on sale of property and equipment	(6,370)	-
Changes in assets and liabilities		
(Increase) decrease in:		
Pledges receivable	126,263	248,117
Grant receivable	62,937	(62,937)
Prepaid expenses	1,924	(1,050)
Accrued income	(4,812)	(6,128)
Increase (decrease) in:		
Accounts payable	(25,497)	29,743
Accrued liabilities	821	(28,153)
Net Cash Provided By Operating Activities	764,179	409,250
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(420,549)	(412,506)
Proceeds from sale of investments	31,814	-
Purchase of property and equipment	(108,140)	(10,657)
Proceeds from sale of property and equipment	6,370	-
Net Cash Used For Investing Activities	(490,505)	(423,163)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	273,674	(13,913)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	899,986	913,899
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,173,660	$ 899,986

See Independent Auditor's Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Big Brothers Big Sisters of Northeast Indiana, Inc. provides guidance and support to the youth of northeast Indiana through various programs that match adult mentors with youth. At the present time, the Agency serves the Indiana counties of Allen, Adams, Wells, DeKalb, Noble, Huntington, Whitley, Kosciusko, Steuben and Lagrange and the Michigan counties of Branch, St. Joseph and Hillsdale.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Big Brothers Big Sisters of Northeast Indiana, Inc. and changes therein are classified and reported as follows:

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

Unrestricted Net Assets – Board Designated – Board designated net assets represents amounts established by the board of directors and represent unrestricted funds which have been set aside for future needs of the organization.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of Big Brothers Big Sisters of Northeast Indiana, Inc. and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires or is met in the reported period in which the support is recognized.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Big Brothers Big Sisters of Northeast Indiana, Inc. Generally, the donors of these assets permit Big Brothers Big Sisters of Northeast Indiana, Inc. to use all or part of the income earned on any related investments for general or specific purposes.

Financial Statement Presentation – The organization has elected to adopt FASB ASC 958-210-45-8. Under FASB ASC 958-210-45-8, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. In addition, the organization is required to present a statement of cash flows.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires temporarily restricted net assets are reclassified to unrestricted net assets.

Investments – The Organization has adopted FASB ASC 958-320-50-1. Under FASB ASC 958-320-50-1, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction limitation. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of December 31, 2017 and 2016. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2017 and 2016, respectively, the organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal or State agencies for years before 2014.

Use of Estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Reclassification – Prior year presentation has been reclassified to conform with the current year's presentation. These reclassifications have no effect on previously reported operational results.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable – If considered necessary, the Organization provides an allowance for doubtful receivables which is based on management's estimate of losses that will be incurred in the collection of all receivables.

Property and Equipment – Property and equipment are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of $1,000 or more and a useful life of one year or more are capitalized. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building	20 years
Equipment	3-10 years
Vehicles	5 years

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions – All contributions are considered to be available for the general operations of the Organization unless specifically restricted by the donor. Gifts of cash and other assets are reported as temporarily restricted or permanently restricted support if they are received with donor stipulation that limit their use. In the case of temporarily restricted support, when the restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. By definition, permanently restricted support must be maintained in perpetuity. Restrictions on these net assets do not expire and no assets are reclassified in the statement of activities.

Advertising Costs – Advertising and promotional programs are charged to expense during the period in which they are incurred. Advertising expense in the amount of $17,507 and $6,647 was incurred in the years ending December 31, 2017 and 2016, respectively.

Donated Materials and Services – Donated services are recognized as contributions in accordance with FASB ASC 958-605-05, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives in-kind gifts of merchandise from numerous donors throughout the year. Many of these gifts are sold or given away at various fund raising events. The total value assigned to in-kind donations amounted to $119,411 and $104,148 for the years ended December 31, 2017 and 2016, respectively.

Compensated Absences – The Organization allows employees to receive compensation for paid time off. As of December 31, 2017 and 2016, compensated absences have been calculated as $11,379 and $12,599, respectively. This amount has been reflected in the 2017 and 2016 Statements of Financial Position as part of accrued liabilities.

Recent Accounting Pronouncements – In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. Key elements of the ASU include a reduction in the number of net asset categories from three to two, conforming requirements on releases of capital restrictions, several new requirements related to expense presentation and disclosure (including investment expenses), and new required disclosures communicating information useful in assessing liquidity. The new standard is effective for the organization in the fiscal year ending December 31, 2019, early adoption is allowed. The Organization is currently evaluating the impact of the adoption of the standard on its financial statements.

In February 2016, the FASB issued ASU 2016-2-Leases. The standard will increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The standard is effective for the Organization beginning January 1, 2020 and is currently being evaluated to determine the impact on the financial statements.

NOTE 2 – Investments

Investments as of December 31, 2017 and 2016 consisted of the following:

	December 31, 2017	December 31, 2016
Cash equivalents	$ 17,676	$ 100,588
Equities	1,919,571	1,593,697
Fixed income - corporate bonds	45,370	44,945
Fixed income - municipal bonds	1,136,128	798,431
Total Investments at Fair Value	$ 3,118,745	$ 2,537,661
Total Investments at Historical Cost	$ 2,722,962	$ 2,384,133

NOTE 3 – Beneficial Interest – Community Foundations

Funds held at Community Foundations as of December 31, 2017 and 2016 are summarized as follows:

	December 31 2017	December 31 2016
Community Foundation of Greater Fort Wayne	$ 321,769	$ 241,037
Kosciusko County Community Foundation	11,911	10,957
Total	$ 333,680	$ 251,994

The investments held by the Community Foundations are the result of agreements whereby the Organization has transferred assets, without variance power, to the Foundations and has specified itself as the beneficiary of those assets. The Organization may draw up to a certain percentage of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundations.

Additionally, the Foundations hold investment assets, with a value of $158,480 and $107,055 at December 31, 2017 and 2016, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

NOTE 4 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Big Brothers Big Sisters of Northeast Indiana, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

NOTE 4 – Fair Value of Financial Instruments (Continued)

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices 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.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of financial instruments as of December 31, 2017 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	$ 17,676	$ 17,676	$	$
Equities	1,919,571	1,919,571		
Fixed income	1,181,498		1,181,498	
Community Foundation of Greater Fort Wayne	321,769			321,769
Kosciusko County Community Foundation	11,911			11,911
Total	$ 3,452,425	$ 1,937,247	$ 1,181,498	$ 333,680

Fair value of financial instruments as of December 31, 2016 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	$ 100,588	$ 100,588	$	$
Equities	1,593,697	1,593,697		
Fixed income	843,376		843,376	
Community Foundation of Greater Fort Wayne	241,037			241,037
Kosciusko County Community Foundation	10,957			10,957
Total	$ 2,789,655	$ 1,694,285	$ 843,376	$ 251,994

NOTE 4 – Fair Value of Financial Instruments (Continued)

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2017:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - January 1, 2017	$ 251,994
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	50,000
Interest and dividend income on securities	12,281
Unrealized gains	31,781
Realized gains on sale of securities	1,288
Investment fees	(1,723)
Transfers out	(11,941)
Ending Balance - December 31, 2017	$ 333,680

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2016:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - January 1, 2016	$ 262,124
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	6,394
Unrealized gains	11,010
Realized losses on sale of securities	(5,481)
Investment fees	(1,509)
Transfers out	(20,544)
Ending Balance - December 31, 2016	$ 251,994

NOTE 5 – Investment Income

Net investment income from the investment account, the Community Foundations and the Certificates of Deposits consisted of the following:

	December 31 2017	December 31 2016
Dividends, interest, and realized gains	$ 71,965	$ 73,892
Investment management fees	(26,961)	(22,650)
Unrealized gains	274,035	140,178
Total	$ 319,039	$ 191,420

NOTE 6 – Functional Allocation of Expenses

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

NOTE 7 – Property and Equipment

The components of property and equipment are as follows:

	December 31 2017	December 31 2016
Land	$ 34,000	$ 34,000
Building	586,685	586,685
Equipment	366,176	323,297
Vehicles	103,526	88,552
	1,090,387	1,032,534
Accumulated depreciation	(894,701)	(895,828)
Total	$ 195,686	$ 136,706

NOTE 8 – Temporarily Restricted Net Assets

The Organization has net assets that are restricted for the following purposes:

	December 31 2017	December 31 2016
Mentoring programs	$ 22,917	$ 22,917
Strengthening communications	10,000	-
Future periods:		
Fund raising events	105,875	63,000
Operations	7,500	-
Total	$ 146,292	$ 85,917

NOTE 9 – Off-Balance Sheet Risk

The Organization receives substantial support from United Way organizations in several counties and from one significant fund-raising event. A significant reduction in the level of this support, if it were to occur, may have an effect on the Organization's programs and activities.

Big Brothers Big Sisters of Northeast Indiana, Inc. maintains its cash accounts at local banks. The cash balances and short-term investments are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2017 and 2016 the Organization had uninsured cash balances of $492,086 and $291,855, respectively.

NOTE 10 – Operating Lease

On July 12, 2012, the organization entered into a lease of new office and program spaces. The lease is for a period of ten years and begins January 1, 2013. The lease requires monthly payments of $16,795 and increases on an annual basis in an amount equal to the increase in the "all items" portion of the consumer price index for all urban consumers (CPI) issued and published by the Bureau of Labor Statistics of the United States Department of Labor. The lease also provides for a monthly rent credit in years one through four of the lease. Rent expense equal to one tenth of the net rent, plus any increase due to the CPI, will be expensed each year over the next ten years. Accrued rent associated with the lease of $183,205 and $223,205 as of December 31, 2017 and 2016, respectively, has been reflected in the Statement of Financial Position in accrued liabilities. Required minimum lease payments and the rent credit over the life of the lease are as follows:

Year Ended December 31	Rent	Credit	Net Rent	Expense
2013	$ 201,540	$ 160,000	$ 41,540	$ 161,540
2014	201,540	120,000	81,540	161,540
2015	201,540	80,000	121,540	161,540
2016	201,540	40,000	161,540	161,540
2017	201,540	-	201,540	161,540
2018	201,540	-	201,540	161,540
2019	201,540	-	201,540	161,540
2020	201,540	-	201,540	161,540
2021	201,540	-	201,540	161,540
2022	201,540	-	201,540	161,540
	$ 2,015,400	$ 400,000	$ 1,615,400	$ 1,615,400

NOTE 11 – Retirement Plan

The Organization sponsors a defined contribution plan where contributions to the plan are made for all employees with at least 30 days of continuous employment. The Organization's contributions are 100% vested after 3 years of employment. The Organization contributes $3 for each $1 contributed by eligible employees up to 2% of each employee's total compensation. Expenses for the years ended December 31, 2017 and 2016 amounted to $34,055 and $28,448, respectively.

NOTE 12 – Endowments

The Organization's endowment consists of two funds established for providing revenue from earnings. Its endowment includes board designated endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with permanently restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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 permanently restricted 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, (b) the original value of subsequent gifts, and (c) accumulations 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 fund that is not classified in permanently restricted net assets is classified as designated 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 funds:

The duration and preservation of the fund
The purposes of the organization and the donor-restricted fund
General economic conditions
The possible effect of inflation and deflation
The expected total return from income and the appreciation of investments
Other resources of the organization
The investment policies of the organization

Endowment net asset composition by type of fund as of December 31, 2017, is as follows:

	Unrestricted	Permanently Restricted	Total
Board designated funds - campaign	$ 2,274,780	$	$ 2,274,780
Board designated funds - Community Foundations	333,680		333,680
Permanently restricted endowment funds		1,000,000	1,000,000
	$ 2,608,460	$ 1,000,000	$ 3,608,460

NOTE 12 – Endowments (Continued)

Endowment net asset composition by type of fund as of December 31, 2016, is as follows:

	Unrestricted	Permanently Restricted	Total
Board designated funds - campaign	$ 1,864,824	$	$ 1,864,824
Board designated funds - Community Foundations	251,994		251,994
Permanently restricted endowment funds		1,000,000	1,000,000
	$ 2,116,818	$ 1,000,000	$ 3,116,818

Changes in endowment net assets for the year ended December 31, 2017, are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 2,116,818	$ 1,000,000	$ 3,116,818
Contributions	459,956		459,956
Investment return:			
Dividends, interest and realized investment gains/losses	42,765		42,765
Unrealized gain	274,035		274,035
Total investment return	316,800		316,800
Appropriation of endowment assets for expenditures	(11,941)		(11,941)
Transfers	(273,173)		(273,173)
Endowment net assets - end of year	$ 2,608,460	$ 1,000,000	$ 3,608,460

NOTE 12 – Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2016 are as follows:

	Unrestricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ 2,029,289	$ 1,000,000	$ 3,029,289
Contributions	97,659		97,659
Investment return:			
Dividends, interest and realized investment gains/losses	48,650		48,650
Unrealized gain	140,178		140,178
Total investment return	188,828		188,828
Appropriation of endowment assets for expenditures	(20,544)		(20,544)
Transfers	(178,414)		(178,414)
Endowment net assets - end of year	$ 2,116,818	$ 1,000,000	$ 3,116,818

Funds With Deficiencies – From time to time, the fair value of assets associated with individual donor permanently restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in unrestricted net assets. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the permanently restricted and designated net assets.

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 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 designated funds. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 8% annually. 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).

Spending Policy – The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the current value. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 13 – Indirect Support – United Way

Indirect support from United Way includes allocations from United Way Agencies in counties served by the Organization. Included in the amount for 2017 of $189,813 are designated contributions from individuals of $23,494. Included in the amount for 2016 of $260,605 are designated contributions from individuals of $21,286.

NOTE 14 – Note Payable – Bank

The Organization has established a line of credit with PNC Bank in the amount of $50,000. The note expires on October 10, 2018 and bears interest at the bank's prime rate plus 1.85% (6.35% at December 31, 2017). The note was unused at December 31, 2017 and 2016.

NOTE 15 – Fundraising Campaign

Big Brothers Big Sisters of Northeast Indiana, Inc. is conducting a fundraising campaign to raise $6,000,000 to fund an endowment for long term sustainability. The Organization is one of the largest agencies in the country and is not a fee for service so any sudden loss of funding or a downturn in the economy could have a substantial impact on the level and quality of the service provided at BBBS. The campaign will collect pledges over the course of five years and will include gifts that are donor restricted as well as unrestricted. Outstanding pledges as of December 31, 2017 and 2016 are detailed as follows:

	December 31 2017	December 31 2016
Pledges receivable in less than one year	$ 185,372	$ 207,446
Pledges receivable in one to five years	133,951	239,540
	319,323	446,986
Less: allowance for uncollectible pledges	(2,500)	(3,900)
	$ 316,823	$ 443,086

Pledges have been capitalized using a discount factor of 2%.

NOTE 16 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 25, 2018, the date the financial statements were available to be issued.