

Audited Financial Statements

Nutmeg Big Brothers Big Sisters, Inc.

*Years Ended June 30, 2018 and 2017
with Independent Auditors' Report*

Nutmeg Big Brothers Big Sisters, Inc.

Audited Financial Statements

Years ended June 30, 2018 and 2017

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Independent Auditors' Report

To the Board of Directors of
Nutmeg Big Brothers Big Sisters, Inc.
Hartford, Connecticut

We have audited the accompanying financial statements of Nutmeg Big Brothers Big Sisters, Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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 audits 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.

Independent Auditors' Report (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nutmeg Big Brothers Big Sisters, Inc. at June 30, 2018 and 2017, and the changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Nutmeg Big Brothers Big Sisters, Inc. financial statements for the year ended June 30, 2017, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Fiondella, Milone & LaSaracina LLP

Glastonbury, Connecticut
November 19, 2018

Nutmeg Big Brothers Big Sisters, Inc.
Statements of Financial Position

	June 30,	
Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 244,351	\$ 115,580
Investments	61,195	28,231
Receivables, net of allowance for doubtful accounts, current portion	279,470	271,397
Prepaid expenses	32,957	33,588
Total current assets	617,973	448,796
Non-current assets:		
Receivables, net, less current portion	165,979	233,366
Property and equipment, net	27,471	25,263
Total assets	\$ 811,423	\$ 707,425
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 47,956	\$ 51,675
Accrued expenses	83,528	78,700
Other current liabilities	6,000	36,880
Line of credit	-	30,000
Total current liabilities	137,484	197,255
Unrestricted net assets	530,936	505,170
Temporarily restricted net assets	143,003	5,000
Total net assets	673,939	510,170
Total liabilities and net assets	\$ 811,423	\$ 707,425

See accompanying notes

Nutmeg Big Brothers Big Sisters, Inc.
Statements of Activities and Changes in Net Assets

	Years Ended			June 30, 2017
	June 30, 2018			
	Unrestricted	Temporarily Restricted	Total	
Support and revenues				
Special events, net	\$ 219,360	\$ -	\$ 219,360	\$ 267,089
United Way contributions	131,627	-	131,627	163,303
U.S. Treasury grants	498,956	-	498,956	512,714
Contributions	926,650	149,367	1,076,017	809,416
Other governmental grants and contracts	18,938	-	18,938	18,938
In-kind contributions	86,798	-	86,798	159,876
HartSprings Foundation, Inc.	68,204	-	68,204	77,107
Net assets released from restriction	5,000	(5,000)	-	-
Investment income	4,757	-	4,757	692
Total support and revenues	<u>1,960,290</u>	<u>144,367</u>	<u>2,104,657</u>	<u>2,009,135</u>
Expenses				
Program services:				
Big Brothers Big Sisters	1,082,111	-	1,082,111	997,527
Foster Grandparents	509,474	-	509,474	411,250
	<u>1,591,585</u>	<u>-</u>	<u>1,591,585</u>	<u>1,408,777</u>
Supporting services:				
Management and general	138,230	6,364	144,594	144,748
Fundraising	204,709	-	204,709	215,559
	<u>1,934,524</u>	<u>6,364</u>	<u>1,940,888</u>	<u>1,769,084</u>
Total expenses	<u>1,934,524</u>	<u>6,364</u>	<u>1,940,888</u>	<u>1,769,084</u>
Changes in net assets	<u>25,766</u>	<u>138,003</u>	<u>163,769</u>	<u>240,051</u>
Net assets - beginning of year	<u>505,170</u>	<u>5,000</u>	<u>510,170</u>	<u>270,119</u>
Net assets - end of year	<u>\$ 530,936</u>	<u>\$ 143,003</u>	<u>\$ 673,939</u>	<u>\$ 510,170</u>

See accompanying notes

Nutmeg Big Brothers Big Sisters, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>Program Services</u>		Management and General	Fundraising	Total
	Big Brothers Big Sisters	Foster Grandparents			
Salaries and related expenses:					
Salaries	\$ 658,530	\$ 147,016	\$ 71,818	\$ 96,996	\$ 974,360
Payroll taxes	57,093	10,793	10,776	7,252	85,914
Employee benefits	64,107	21,624	5,586	3,826	95,143
Total salaries and related expenses	<u>779,730</u>	<u>179,433</u>	<u>88,180</u>	<u>108,074</u>	<u>1,155,417</u>
Other expenses:					
Activities	32,077	30,221	1,950	35,988	100,236
Bad debt expense	9,050	-	-	-	9,050
Conferences and meetings	3,965	1,181	8,579	2,234	15,959
Donated advertising	26,520	1,950	-	10,530	39,000
Dues and subscriptions	12,137	-	995	3,046	16,178
Equipment rental and maintenance	19,895	747	7,886	282	28,810
Insurance	24,478	2,718	5,836	50	33,082
Interest	-	-	55	-	55
Bank and credit card fees	368	-	330	5,469	6,167
Occupancy	47,479	11,850	2,837	142	62,308
Office expense and supplies	1,787	1,059	4,026	123	6,995
Postage	1,624	1,021	170	(90)	2,725
Printing and publications	-	23	1,819	3,448	5,290
Professional fees	95,321	2,894	17,391	30,061	145,667
Telephone and internet	15,475	2,205	3,187	1,358	22,225
Travel	4,661	3,690	902	3,972	13,225
Volunteer support	-	268,599	-	-	268,599
Total other expenses	<u>294,837</u>	<u>328,158</u>	<u>55,963</u>	<u>96,613</u>	<u>775,571</u>
Depreciation	7,544	1,883	451	22	9,900
Total functional expenses	<u>\$ 1,082,111</u>	<u>\$ 509,474</u>	<u>\$ 144,594</u>	<u>\$ 204,709</u>	<u>\$ 1,940,888</u>

See accompanying notes

Nutmeg Big Brothers Big Sisters, Inc.
Statement of Functional Expenses
Year Ended June 30, 2017

	Program Services		Management and General	Fundraising	Total
	Big Brothers Big Sisters	Foster Grandparents			
Salaries and related expenses:					
Salaries	\$ 639,249	\$ 146,123	\$ 58,656	\$ 72,883	\$ 916,911
Payroll taxes	48,033	10,880	4,215	5,553	68,681
Employee benefits	59,704	21,389	5,725	1,086	87,904
Total salaries and related expenses	746,986	178,392	68,596	79,522	1,073,496
Other expenses:					
Activities	18,286	13,965	24,624	53,650	110,525
Bad debt expense	6,000	-	-	-	6,000
Conferences and meetings	3,817	90	5,196	1,389	10,492
Donated advertising	34,000	2,500	-	29,000	65,500
Dues and subscriptions	13,298	-	3,423	1,034	17,755
Equipment rental and maintenance	22,701	312	10,159	230	33,402
Insurance	21,910	877	8,566	423	31,776
Interest	-	-	1,258	-	1,258
Bank and credit card fees	-	30	243	4,432	4,705
Occupancy	54,155	3,250	2,948	-	60,353
Office expense and supplies	1,722	1,450	1,880	20	5,072
Postage	1,090	205	109	355	1,759
Printing and publications	954	517	5,452	3,485	10,408
Professional fees	42,298	6,441	7,887	40,138	96,764
Telephone and internet	15,198	2,328	3,854	910	22,290
Travel	6,610	4,160	90	971	11,831
Volunteer support	-	196,223	-	-	196,223
Total other expenses	242,039	232,348	75,689	136,037	686,113
Depreciation	8,502	510	463	-	9,475
Total functional expenses	<u>\$ 997,527</u>	<u>\$ 411,250</u>	<u>\$ 144,748</u>	<u>\$ 215,559</u>	<u>\$ 1,769,084</u>

See accompanying notes

Nutmeg Big Brothers Big Sisters, Inc.
Statements of Cash Flows

	Years Ended	
	June 30,	
	2018	2017
Cash flows from operating activities		
Changes in net assets	\$ 163,769	\$ 240,051
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	9,900	9,475
Unrealized (gain) loss on investments, net of investment fees	(3,637)	742
Bad debt expense	9,050	6,000
Changes in assets and liabilities:		
Receivables, net	50,264	(200,456)
Prepaid expenses	631	(16,963)
Accounts payable	(3,719)	(19,345)
Accrued expenses	4,828	13,606
Other current liabilities	(30,880)	36,880
Net cash provided by operating activities	200,206	69,990
Cash flows from financing activities		
Net (payments) borrowings on line of credit	(30,000)	30,000
Net cash (used) provided by financing activities	(30,000)	30,000
Cash flows from investing activities		
Net (purchase) sale of investments	(29,327)	12,146
Purchase of equipment	(12,108)	(9,276)
Net cash (used) provided by investing activities	(41,435)	2,870
Net increase in cash and cash equivalents	128,771	102,860
Cash and cash equivalents - beginning of year	115,580	12,720
Cash and cash equivalents - end of year	\$ 244,351	\$ 115,580
Supplemental cash flow information:		
Cash paid during year:		
Interest	\$ 55	\$ 1,258

See accompanying notes

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements
June 30, 2018 and 2017

1. Description of Organization and Nature of Activities

Nutmeg Big Brothers Big Sisters, Inc. (the Organization) is a nonprofit, voluntary welfare agency. The Organization exists to make a positive difference in the lives of children and youth facing adversity, primarily through professionally supported relationships with caring adult volunteers. The Organization strives to assist children to achieve their highest potential by providing committed volunteers, local leadership and advocacy. The Organization builds mentoring relationships in 132 Connecticut towns. These relationships unite children with committed volunteers, changing lives for the better, forever.

In addition to the traditional program, the Organization operates the Foster Grandparents Program. The Foster Grandparents Program matches low income senior citizens to children in schools, day care centers and head start programs. Low income seniors are paid a non-taxable stipend to reimburse them for certain time and expenses incurred by participating in the program.

2. Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The financial statements of the Organization are prepared using the accrual basis of accounting in accordance with U. S. Generally Accepted Accounting Principles (GAAP). The Organization reports information regarding its financial position and activities consistent with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*, according to the following three classes of net assets:

Unrestricted – Unrestricted net assets represent available resources other than temporarily or permanently restricted net assets.

Temporarily Restricted – Temporarily restricted net assets represent net assets that are subject to donor-imposed stipulations that are met either by the passage of time or by actions of the Organization.

Permanently Restricted – Permanently restricted net assets represent net assets that are subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Presentation (continued)

The Organization did not have any permanently restricted net assets at June 30, 2018 and 2017. The Organization had temporarily restricted assets of \$143,003 and \$5,000 as of June 30, 2018 and 2017, respectively, which are designated as follows:

	June 30, 2018	June 30, 2017
UConn on-campus mentoring	\$ 96,764	\$ -
Arthur Director Leadership Program	40,000	-
Technology upgrades	6,239	5,000
Total	\$ 143,003	\$ 5,000

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

Credit Risk

The Organization maintains its cash and cash equivalents in financial institution accounts that, at times during the year, can exceed federally insured limits. The cash balances in the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 as of June 30, 2018 and 2017.

Cash and Cash Equivalents

Cash equivalents consist of cash and money market accounts with original maturities of three months or less.

Investments

The Organization primarily invests in money market, mutual funds, and equities and follows the guidance on accounting for investments held by not-for-profit organizations, which requires that investments with readily determinable fair values be reported at fair value. Purchases and sales of securities are recorded on the trade date basis. Investment earnings include gains and losses on investments bought and sold as well as held during the year. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Receivables

Receivables expected to be collected within one year are recorded as current assets on the statements of financial position. Receivables are presented net of a bad debt allowance. Allowances for receivables are determined by management based on an assessment of their collectability, which includes consideration of past history, current economic conditions and overall viability of the third-party. Receivables are written off only when management believes amounts will not be collected. There was an allowance for doubtful accounts of \$3,600 and \$0 at June 30, 2018 and 2017, respectively. Receivables that are expected to be collected in future years are recorded at their net present value (see Note 5).

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is charged against income over their estimated useful lives, generally five years, using the straight-line method. Leasehold improvements are depreciated over the shorter of the estimated useful life of the improvement or the lease term. Renewals and improvements which extend the useful lives of assets are capitalized at cost. Maintenance and repairs are included as expenses in the statements of activities.

Revenue Recognition

Grant revenue is recognized as costs are incurred. Receivables are recognized to the extent costs have been incurred, but not reimbursed. Conversely, a liability is recorded when grant advances exceed eligible costs.

Contributions are defined as voluntary, nonreciprocal transfers. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Unrestricted and unconditional contributions are recognized as support when received or pledged, if applicable.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of such assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose 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 restrictions. The Organization's policy is to present temporarily restricted net assets received during the year whose restrictions are also met during the current year with unrestricted net assets. Contributions received that are contingent on the occurrence of a future event are deferred until the condition is substantially met, at which time they are recognized as support.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Ticket sales for special events are generally recognized as revenue when the special event takes place. The portion of advance ticket sales that represents the fair value of direct donor benefits for special events that do not take place until the next fiscal year are recorded as a liability (deferred revenue). The portion of advance ticket sales that represents the donor's contribution may be recognized when the ticket is sold or when the event occurs, depending on management's assessment of the likelihood that the event will take place.

Donated Goods and Services

The Organization records the value of donated goods when there is an objective basis available to measure their value. The Organization records the value of donated services if they create or enhance nonfinancial assets or require specialized skills and would typically be purchased if not provided by donation. Donated goods and services are reflected as contributions in the accompanying financial statements at their estimated fair market values at the date of receipt. For the years ended June 30, 2018 and 2017, \$39,000 and \$65,500, respectively, has been recognized as revenue in the financial statements for donated advertising services; \$0 and \$23,393, respectively, has been recognized for donated professional services, including annual report design, legal services and photography; \$38,074 and \$62,767, respectively, has been recognized for various donated gifts, which consist primarily of tickets to events; and \$9,724 and \$8,216, respectively, has been recognized for food donated to the participants of the Foster Grandparents Program.

Functional Allocation of Expenses

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

Advertising Costs

The Organization uses advertising to promote its programs among the audience it serves. The costs of advertising are expensed as incurred.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, requires disclosure of the fair value of financial instruments held by the Foundation. ASC 825, *Financial Instruments*, defines fair value, and establishes a three-level valuation hierarchy for disclosures of fair value measurement that enhances disclosure requirements for fair value measures. The three levels of valuation hierarchy are defined as follows:

- Level 1 – Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

The Organization’s assets that are measured at fair value on a recurring basis as of June 30, 2018 and 2017 consist of mutual funds and equities, which are classified as investments and are considered Level 1 in the fair value hierarchy.

Investments in mutual funds and equities are valued using market prices in active markets. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. There has been no change in this valuation method from the prior year.

The preceding method may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

Reclassifications

Certain amounts in the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation.

Recent Accounting Pronouncements

In August 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires a not-for-profit entity to 1) present two classes of net assets at the end of the period, rather than for the currently required three classes, 2) present the amount of the change in each of the two classes of net assets rather than that of the currently required three classes, 3) no longer require the presentation or disclosure of the indirect method (reconciliation) if using the direct method, 4) provide various enhanced disclosures, 5) report investment return net of external and direct internal investment expenses and no longer require disclosure of those netted expenses and 6) use, in the absence of explicit donor stipulations, the placed-in-service approach for reporting expirations of restrictions on gifts of cash or other assets to be used to acquire or construct a long-lived asset and reclassify any amounts from net assets with donor restrictions to net assets without donor restrictions for such long-lived assets that have been placed in service as of the beginning of the period of adoption. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application is permitted, and the amendments should be applied on a retrospective basis. The Organization is currently in the process of assessing the impact that the adoption of ASU 2016-14 will have on its financial statements.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Made and Contributions Received*. ASU 2018-08 provides clarification on the process of evaluating whether transaction should be accounted for as a contribution (nonreciprocal transaction) or as an exchange (reciprocal) transaction. Contributions will be recognized in accordance with ASU 2018-08, while exchange transactions will follow the ASU 2014-09, *Revenue from Contracts with Customers* guidance. In addition the guidance defines the process of determining whether contribution is conditional. ASU 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early application is permitted, and should only be applied to the revenues that have not yet been recognized before the effective date in accordance with the guidance. The Organization is currently in the process of assessing the impact that the adoption of ASU 2018-08 will have on its financial statements.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

3. Reserve Fund

The Board of Directors has designated \$115,188 and \$55,077 as of June 30, 2018 and 2017, respectively, as a reserve fund to support the mission of the Organization. The fund is comprised of unrestricted contributions received by the Organization, the total of which is held in investment and money market accounts. The reserve fund is included as part of unrestricted net assets. The Board approves all investment and spending decisions involving the fund. Changes in the reserve fund for the years ended June 30, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
Reserve fund, beginning of year	\$ 55,077	\$ 45,385
Investment gain, net of fees	4,757	692
Contributions	55,354	9,000
Reserve fund, end of year	<u>\$ 115,188</u>	<u>\$ 55,077</u>

4. Investments

Investments as of June 30, 2018 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized (Loss) Gain</u>
Mutual funds	\$ 27,724	\$ 27,470	\$ (254)
Equities	29,327	33,725	4,398

The following schedule summarizes the investment return for the year ended June 30, 2018:

Interest and dividends	\$ 1,120
Unrealized gain	4,660
Investment fees	(1,023)
	<u>\$ 4,757</u>

Investments as of June 30, 2017 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 28,747	\$ 28,231	\$ (516)

The following schedule summarizes the investment return for the year ended June 30, 2017:

Interest and dividends	\$ 1,434
Unrealized loss	(243)
Investment fees	(499)
	<u>\$ 692</u>

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

5. Receivables

Unconditional promises to give (contributions receivable) that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the years in which the promises are received. Discount rates of 2.63% and 1.60% (based on the three year Treasury bill rates of return) were used for the fiscal years ended June 30, 2018 and 2017, respectively.

Included in contributions receivable are the following unconditional promises to give:

	2018	2017
Contributions	\$ 356,741	\$ 267,817
Grants and contracts	91,261	232,856
HartSprings Foundation, Inc. (see Note 9)	5,638	9,224
Other receivables	6,830	-
Total	460,470	509,897
Less: discount to present value	(15,021)	(5,134)
Less: allowance for doubtful accounts	(3,600)	-
Net contributions receivable	\$ 441,849	\$ 504,763

Amounts due in:

Less than one year	\$ 283,070	\$ 271,397
One to five years	177,400	238,500
	\$ 460,470	\$ 509,897

As of June 30, 2018, a pledge receivable from one individual donor was approximately 14% of total gross receivables. As of June 30, 2017, amounts receivable from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) represented 33% of total gross receivables and pledges receivable from one individual donor were approximately 24% of total gross receivables.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Leasehold improvements	\$ 18,950	\$ 18,950
Furniture and fixtures	23,080	23,080
Computers and software	124,819	112,711
	<u>166,849</u>	<u>154,741</u>
Less: accumulated depreciation	(139,378)	(129,478)
Total property and equipment, net	<u>\$ 27,471</u>	<u>\$ 25,263</u>

Depreciation expense related to property and equipment was \$9,900 and \$9,475 for the years ended June 30, 2018 and 2017, respectively.

7. Line of Credit

The Organization entered into a Line of Credit Agreement with an unrelated third-party that allows borrowings of up to \$75,000 as of June 30, 2018 and 2017. Interest is payable monthly on amounts outstanding at a rate of 4% per annum, payable in arrears. The line of credit is due in full by May 30, 2019 unless extended by the lender. There was \$0 and \$30,000 outstanding under the line of credit at June 30, 2018 and 2017, respectively.

8. United Way Allocations

The following is a schedule of support from the various United Way contributing agencies:

	June 30,	
	<u>2018</u>	<u>2017</u>
United Way of the Capitol Area, Inc.	\$ 104,000	\$ 131,847
United Way of West Central Connecticut	3,420	5,942
United Way of Northwest Connecticut, Inc.	3,613	5,785
United Way of Southington	1,800	1,350
United Way of Naugatuck and Beacon Falls, Inc.	2,000	2,114
United Way of Meriden and Wallingford	2,500	1,750
United Way of Greater Waterbury	14,000	14,000
United Way of Middlesex	294	515
Total	<u>\$ 131,627</u>	<u>\$ 163,303</u>

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

9. HartSprings Foundation, Inc.

HartSprings Foundation, Inc. (HartSprings) is a nonprofit organization co-founded in 1997 with Big Brothers Big Sisters of Hampden County, Inc. and currently is controlled and operated by Big Brothers Big Sisters of Hampden County, Inc. HartSprings solicits and collects donations of clothing, which are then sold to an unrelated company. The Organization has an agreement through December 31, 2018 to allow HartSprings to solicit donations in Hartford, Tolland, Windham, Middlesex, and upper New Haven Counties in Connecticut under the Organization's name in exchange for a fixed dollar amount per pound of clothing collected. For the years ended June 30, 2018 and 2017, Nutmeg Big Brothers Big Sisters, Inc. earned \$68,204 and \$77,107, respectively, from HartSprings under the agreement.

10. Special Events

The Organization holds several special events during the year, including Bowl for Kids, the Annual Golf Tournament, and the Annual Gala. Special event revenues are shown net of related expenses in the accompanying Statements of Activities and Changes in Net Assets. Gross special events revenue and expenses for the years ended June 30, 2018 and 2017 are as follows:

	2018	2017
Gross revenue	\$ 363,462	\$ 306,216
Less: costs of direct benefits to donors	(144,102)	(39,127)
Special events revenue, net	\$ 219,360	\$ 267,089

The Organization's annual golfing event scheduled for June 2017 was postponed to the next fiscal year due to rain, therefore, the net special events revenue for the year ended June 30, 2017 includes only sponsorships and the donation portion of the ticket cost, and not golfer registration or related costs of the golf tournament.

11. Income Taxes

The Organization has received an exemption from the Internal Revenue Service (IRS) from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is required to make the appropriate tax payments on any income considered unrelated to its exempt purpose. The Organization files Form 990, *Return of Organization Exempt From Income Tax*, which is generally subject to examination by the IRS for years prior to June 30, 2015.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

12. Commitments and Contingencies

Operating Lease

The Organization has a lease for office space in Hartford, Connecticut through December 2019 that requires a monthly lease payment of \$4,519 plus certain charges for maintenance and storage. Rent expense for the years ended June 30, 2018 and 2017 was \$59,028 and \$57,478, respectively.

Future minimum rental payments under non-cancelable operating leases are \$54,228 for the year ended June 30, 2019 and \$27,114 for the year ended June 30, 2020.

Consulting Contract

The Organization has entered into an agreement with an unrelated third party to provide a mentoring program using social networking software. The agreement is effective through June 30, 2020, and requires annual fees of \$60,000 for the years ended June 30, 2019 and 2020. Expenses under the agreement for the year ended June 30, 2018 were \$20,000. The agreement can be cancelled and the Organization will not owe any additional fees if they are unable to secure a grant covering the cost of these services.

13. Affiliate Transactions

The Organization is a local affiliate of Big Brothers Big Sisters of America, Inc. (the national affiliate). The Organization pays membership dues and fees for use of the national affiliate's software. Amounts paid to the national affiliate totaled \$14,794 and \$16,721 for the years ending June 30, 2018 and 2017, respectively.

14. Concentration of Support and Revenue

The Organization receives a significant amount of support from the U.S. Federal Government for the Foster Grandparents Program in the form of grants. For the years ended June 30, 2018 and 2017, this support was approximately 20% and 17% of total revenues, respectively. A significant reduction in the level of this support could have a material effect on the Organization's ability to continue the Foster Grandparents Program and related activities.

15. Employee Benefit Plan

The Organization has a defined contribution plan covering all eligible employees. Beginning during the year ended June 30, 2018, the Organization matches \$0.50 per dollar for the first 2% invested in the Plan. Total match expense for the year ended June 30, 2018 was \$3,325.

Nutmeg Big Brothers Big Sisters, Inc.
Notes to Financial Statements (continued)

16. Litigation

The Organization periodically is subject to claims that arise in the ordinary course of operations. It is the opinion of management that the disposition or ultimate resolution of such claims will not have a material adverse effect on the financial position of the Organization.

17. Subsequent Events

The Organization has evaluated events occurring between June 30, 2018 and November 19, 2018, the date the financial statements were available to be issued.