

**BIG BROTHERS AND BIG SISTERS
OF DANE COUNTY, INC.**

FINANCIAL STATEMENTS

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers and Big Sisters of Dane County, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Dane County, Inc., which comprise the statements of financial position as of December 31, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Dane County, Inc. as of December 31, 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.

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Madison, Wisconsin
February 16, 2017

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BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 68,340	\$ 49,323
Receivables	-	420
Promises to give	4,500	6,000
Prepaid expenses	22,032	23,401
Total current assets	94,872	79,144
FURNITURE AND EQUIPMENT		
Furniture and equipment	48,362	48,362
Accumulated depreciation	(46,432)	(45,679)
Furniture and equipment - net	1,930	2,683
OTHER ASSETS		
Beneficial interest in assets held by Madison Community Foundation	14,595	13,834
Investments	471,693	424,570
Promises to give	1,000	2,000
Total assets	\$ 584,090	\$ 522,231
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 14,274	\$ 4,067
Accrued expenses	34,938	21,103
Line of credit	35,000	42,000
Total liabilities	84,212	67,170
NET ASSETS		
Unrestricted		
Board designated endowment	365,369	318,246
Board designated - Madison Community Foundation	14,595	13,834
Undesignated (deficit)	490	(9,193)
Unrestricted	380,454	322,887
Temporarily restricted	13,000	25,750
Permanently restricted	106,424	106,424
Total net assets	499,878	455,061
Total liabilities and net assets	\$ 584,090	\$ 522,231

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2016 and 2015

	2016	2015
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Allocation and contributions from United Way	\$ 213,399	\$ 221,655
Special events	404,400	379,381
Cost of special events	(119,042)	(106,096)
Contributions	354,680	256,220
Investment return	45,584	(25,918)
	<u>899,021</u>	<u>725,242</u>
EXPENSES		
Program services	553,313	538,480
Management and general	147,818	104,909
Fundraising	163,073	133,011
	<u>864,204</u>	<u>776,400</u>
Net assets released from restrictions	<u>22,750</u>	<u>19,000</u>
Change in unrestricted net assets	57,567	(32,158)
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	10,000	22,750
Net assets released from restrictions	<u>(22,750)</u>	<u>(19,000)</u>
Change in temporarily restricted net assets	(12,750)	3,750
PERMANENTLY RESTRICTED NET ASSETS		
Contributions	<u>-</u>	<u>100</u>
Change in net assets	44,817	(28,308)
Net assets - beginning of year	<u>455,061</u>	<u>483,369</u>
Net assets - end of year	<u><u>\$ 499,878</u></u>	<u><u>\$ 455,061</u></u>

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program Services	Management and General	Fundraising	Cost of Special Events	Total
Salaries	\$ 327,896	\$ 28,873	\$ 92,900	\$ -	\$ 449,669
Employee benefits	77,707	5,843	14,649	-	98,199
Payroll taxes	25,084	2,038	7,516	-	34,638
Total salaries and related expenses	430,687	36,754	115,065	-	582,506
Contract services	11,665	48,105	17,500	54,123	131,393
Food and supplies	8,434	4,640	1,932	33,943	48,949
Telephone	2,860	2,611	611	-	6,082
Postage and shipping	93	4,143	50	4,417	8,703
Insurance	17,647	5,042	2,521	-	25,210
Occupancy	27,253	7,786	3,893	-	38,932
Equipment rental and maintenance	12,050	548	12,062	-	24,660
Printing and publications	1,283	15,380	3,962	-	20,625
Travel	4,952	2,238	3,324	1,635	12,149
Conferences and meetings	3,732	6,921	1,913	-	12,566
Advertising	1,260	1,202	89	2,200	4,751
Assistance to individuals	5,849	-	76	-	5,925
Interest expense	-	2,751	-	-	2,751
Miscellaneous event expense	-	10	-	20,526	20,536
Dues to affiliates	-	9,536	-	-	9,536
Depreciation	527	151	75	-	753
Total expenses before contributed goods	528,292	147,818	163,073	116,844	956,027
Contributed goods	25,021	-	-	2,198	27,219
Total expenses	553,313	147,818	163,073	119,042	983,246
Less expenses included with support and revenue on the statements of activities	-	-	-	(119,042)	(119,042)
Total expenses included in the expenses section of the statements of activities	\$ 553,313	\$ 147,818	\$ 163,073	\$ -	\$ 864,204

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

	Program Services	Management and General	Fundraising	Cost of Special Events	Total
Salaries	\$ 315,642	\$ 15,351	\$ 81,192	\$ -	\$ 412,185
Employee benefits	69,321	2,108	14,104	-	85,533
Payroll taxes	26,474	1,306	6,557	-	34,337
Total salaries and related expenses	411,437	18,765	101,853	-	532,055
Contract services	14,126	35,096	4,782	59,858	113,862
Food and supplies	3,963	2,771	787	8,072	15,593
Telephone	8,251	3,180	1,095	-	12,526
Postage and shipping	123	5,561	137	7,056	12,877
Insurance	20,819	5,948	2,974	-	29,741
Occupancy	27,712	7,918	3,959	-	39,589
Equipment rental and maintenance	6,333	528	9,942	-	16,803
Printing and publications	1,771	2,654	3,955	-	8,380
Travel	6,378	964	1,452	420	9,214
Conferences and meetings	5,584	7,292	1,527	-	14,403
Advertising	1,801	971	474	1,837	5,083
Assistance to individuals	4,406	-	-	-	4,406
Interest expense	-	823	-	-	823
Miscellaneous event expense	-	-	-	15,852	15,852
Dues to affiliates	-	9,789	-	-	9,789
Bad debt	-	2,500	-	-	2,500
Depreciation	519	149	74	-	742
Total expenses before contributed goods	513,223	104,909	133,011	93,095	844,238
Contributed goods	25,257	-	-	13,001	38,258
Total expenses	538,480	104,909	133,011	106,096	882,496
Less expenses included with support and revenue on the statements of activities	-	-	-	(106,096)	(106,096)
Total expenses included in the expenses section of the statements of activities	\$ 538,480	\$ 104,909	\$ 133,011	\$ -	\$ 776,400

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 44,817	\$ (28,308)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	753	742
Net realized and unrealized (gain) loss on investments	(32,840)	38,997
Contributions restricted for long-term purposes	-	(100)
(Increase) decrease in assets		
Receivables	420	(420)
Promises to give	2,500	12,609
Prepaid expenses	1,369	(11,890)
Increase (decrease) in liabilities		
Accounts payable	10,207	578
Accrued expenses	13,835	(25,985)
Net cash flows from operating activities	41,061	(13,777)
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from agency endowment	-	726
Distributions from investments	-	1,500
Purchase of and interest retained in investments	(15,044)	(24,852)
Net cash flows from investing activities	(15,044)	(22,626)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on line of credit	(177,000)	(115,500)
Proceeds from line of credit	170,000	157,500
Proceeds from contributions restricted for investment in permanent endowment	-	100
Net cash flows from financing activities	(7,000)	42,100
Net change in cash	19,017	5,697
Cash - beginning of year	49,323	43,626
Cash - end of year	\$ 68,340	\$ 49,323
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 2,751	\$ 823

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Big Brothers and Big Sisters of Dane County, Inc. was organized as a not-for-profit organization in 1966. Big Brothers and Big Sisters of Dane County, Inc. was formed for the purpose of providing human services and other opportunities to children who do not have these services available to them in their own homes. The primary source of revenue is public support.

Basis of Presentation

Big Brothers and Big Sisters of Dane County, Inc. is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

Temporarily restricted net assets - Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions.

Permanently restricted net assets - Net assets that have been restricted by donors to be maintained by Big Brothers and Big Sisters of Dane County, Inc. in perpetuity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Receivables

Big Brothers and Big Sisters of Dane County, Inc. considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. Promises to give at December 31, 2016 and 2015 receivable in more than one year were \$1,000 and \$2,000.

Big Brothers and Big Sisters of Dane County, Inc. considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

Investments

Investments consist of equity securities that are carried at fair value and money market funds related to the investment portfolio.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Big Brothers and Big Sisters of Dane County, Inc. also has investments held in agency endowment by the Madison Community Foundation (MCF). Big Brothers and Big Sisters of Dane County, Inc. may receive the income earned from the agency endowment of the MCF. These funds are recorded as board-designated net assets and are carried at fair value.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment with a value of over \$500 is capitalized and depreciated using the straight-line method over an estimated useful life relative to the piece of furniture or equipment.

Contributed equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

Contributions

Contributions are recognized as revenue when received or unconditionally pledged. Contributions are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor 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 statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statements of activities.

Expense Allocations

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

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. At December 31, 2016, Big Brothers and Big Sisters of Dane County, Inc. received \$2,300 in donated investment services.

In addition, a large number of volunteers have given significant amounts of their time to Big Brothers and Big Sisters of Dane County, Inc.'s programs, fund-raising campaigns, and management. No amounts have been recorded in the financial statements for these volunteer services because the criteria for recognition have not been met.

Advertising

Big Brothers and Big Sisters of Dane County, Inc. uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs for 2016 and 2015 totaled \$4,751 and \$5,083.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

Big Brothers and Big Sisters of Dane County, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Big Brothers and Big Sisters of Dane County, Inc.'s tax-exempt purpose is subject to taxation as unrelated business income.

Date of Management's Review

Management has evaluated subsequent events through February 16, 2017, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31, 2016 and 2015 consisted of the following:

	2016	2015
Mutual funds	\$ 431,437	\$ 135,179
Bonds	-	188,564
Stocks	-	55,914
Money market funds	40,256	44,913
Total investments	\$ 471,693	\$ 424,570

Investment return for 2016 and 2015 consisted of the following:

	2016	2015
Interest and dividend income	\$ 16,839	\$ 17,672
Net realized and unrealized gain (loss)	32,840	(38,997)
Investment fees	(4,095)	(4,593)
Investment return	\$ 45,584	\$ (25,918)

Investment fees for 2016 include donated investment services of \$2,300 provided by a member of the board of directors.

NOTE 3 – AGENCY ENDOWMENT

The Big Brothers and Big Sisters of Dane County, Inc. established an agency endowment at Madison Community Foundation (MCF). The Big Brothers and Big Sisters of Dane County, Inc. recognizes the fair value of donations as contributions when received. When the Big Brothers and Big Sisters of Dane County, Inc. transfers the funds to MCF it recognizes the transfer as a decrease in cash and an increase in an asset called beneficial interest in assets held by MCF.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 3 – AGENCY ENDOWMENT

The Big Brothers and Big Sisters of Dane County, Inc. acknowledges that by virtue of the governing instrument of MCF, the Board of Governors of MCF has the authority to modify any restriction or condition on the distribution of assets from the Fund if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by MCF. MCF maintains legal ownership of the fund. The Fund normally makes an annual distribution to the Big Brothers and Big Sisters of Dane County, Inc. that represents 4.75% of the average value of the assets in the Fund over the previous twelve quarters. The Big Brothers and Big Sisters of Dane County, Inc. received distributions of \$0 and \$726 in 2016 and 2015.

In 2017 the Fund updated their spending policy to make an annual distribution to the Big Brothers and Big Sisters of Dane County, Inc. that will be calculated over 20 quarters and represents 4.75% of the average value of the assets in the Fund in 2017, 4.5% in 2018, and 4.25% in 2019.

NOTE 4 – CONDITIONAL PROMISE TO GIVE

Big Brothers and Big Sisters of Dane County, Inc. had promises to give of \$6,000 at December 31, 2015 that were conditional upon the funds being used for the Sponsor-A-Match program. The condition was met during 2016 and recognized as support at that time.

NOTE 5 – LINE OF CREDIT

Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit agreement with State Bank of Cross Plains that expires September 4, 2017. The interest rate on outstanding principal is prime plus 1.5% with a floor of 5%. At December 31, 2016, the interest rate was 5.25%. The line of credit is secured by Big Brothers and Big Sisters of Dane County, Inc.'s assets. At December 31, 2016 and 2015, there was an outstanding balance of \$35,000 and \$42,000.

NOTE 6 – NET ASSETS

Temporarily restricted net assets at December 31, 2016 and 2015 are available for the following:

	2016	2015
BFKS	\$ -	\$ 3,000
Gala	10,000	-
Time	3,000	22,750
Temporarily restricted net assets	\$ 13,000	\$ 25,750

Permanently restricted net assets at December 31, 2016 and 2015 total \$106,424. These net assets represent contributions received from various donors where the donors have restricted the agency to permanently maintain the corpus of the contributions.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 6 – NET ASSETS (continued)

The income from permanently restricted net assets is expendable to support the following:

	<u>2016</u>	<u>2015</u>
Scholarships for former littles	\$ 75,124	\$ 75,124
Programs or support	<u>31,300</u>	<u>31,300</u>
Permanently restricted net assets	<u>\$ 106,424</u>	<u>\$ 106,424</u>

NOTE 7 – SPECIAL EVENTS

Big Brothers and Big Sisters of Dane County, Inc. has various fundraising events. The revenue and costs directly associated with fundraising events for 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Gross revenue	\$ 404,400	\$ 379,381
Cost of special events		
BFKS	12,131	16,336
Gala	82,022	77,579
DAD's event	18,458	3,712
Other	<u>6,431</u>	<u>8,469</u>
Cost of special events	<u>119,042</u>	<u>106,096</u>
Special events - net	<u>\$ 285,358</u>	<u>\$ 273,285</u>

NOTE 8 – OPERATING LEASE

Big Brothers and Big Sisters of Dane County, Inc. leases space for its administrative office and program services from a primary funder, United Way of Dane County. The lease requires monthly payments of \$2,990 and expired on December 31, 2016. Rental expense for 2016 and 2015 was \$37,671.

In February 2017, Big Brothers and Big Sisters of Dane County, Inc. extended its office lease through December 2018, with required monthly payments of \$3,139 through July 2017 and required monthly payments of \$3,297 for August 2017 through December 2018. Future minimum lease payments for 2017 and 2018 are \$38,458 and \$39,562.

NOTE 9 – EMPLOYEE BENEFIT PLAN

Big Brothers and Big Sisters of Dane County, Inc. has a tax-deferred 401(k) retirement plan covering employees working 20 hours or more upon completion of 12 months of service. Big Brothers and Big Sisters of Dane County, Inc. contributes a 50% match up to 3% of the employee's contributions. Employee benefit plan expense was \$4,831 and \$3,109 for 2016 and 2015.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2016 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 431,437	\$ 431,437	\$ -	\$ -
Money market funds	40,256	40,256	-	-
Beneficial interest in net assets held by MCF	14,595	-	-	14,595
	<u>\$ 486,288</u>	<u>\$ 471,693</u>	<u>\$ -</u>	<u>\$ 14,595</u>

Fair values of assets measured on a recurring basis at December 31, 2015 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 135,179	\$ 135,179	\$ -	\$ -
Bonds	188,564	-	188,564	-
Stocks	55,914	55,914	-	-
Money market funds	44,913	44,913	-	-
Beneficial interest in net assets held by MCF	13,834	-	-	13,834
	<u>\$ 438,404</u>	<u>\$ 236,006</u>	<u>\$ 188,564</u>	<u>\$ 13,834</u>

Fair values for mutual funds, stocks, and money market funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for bonds are determined based on recent prices of similar assets.

The Big Brothers and Big Sisters of Dane County, Inc.'s beneficial interest in assets held by MCF represents an agreement between the Big Brothers and Big Sisters of Dane County, Inc. and MCF in which the Big Brothers and Big Sisters of Dane County, Inc. transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to The Big Brothers and Big Sisters of Dane County, Inc. by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by MCF	
	2016	2015
Beginning balance	\$ 13,834	\$ 14,831
Change in value of beneficial interest included in change in net assets	761	(271)
Distribution	-	(726)
Ending balance	\$ 14,595	\$ 13,834

The change in value of beneficial interest included in change in net assets is included in investment return on the statements of activities.

NOTE 11 – ENDOWMENTS

Big Brothers and Big Sisters of Dane County, Inc.'s endowment consists of a donor-restricted fund where the investment income, including realized gains and losses is given to Big Brothers and Big Sisters of Dane County, Inc. and the funds are designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of The Big Brothers and Big Sisters of Dane County, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, The Big Brothers and Big Sisters of Dane County, Inc. classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as board designated net assets until those amounts are appropriated for expenditure by The Big Brothers and Big Sisters of Dane County, Inc. in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Big Brothers and Big Sisters of Dane County, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of The Big Brothers and Big Sisters of Dane County, Inc., and (7) The Big Brothers and Big Sisters of Dane County, Inc.'s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Big Brothers and Big Sisters of Dane County, Inc. has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015

NOTE 11 – ENDOWMENTS (continued)

endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds invested in equity, fixed income and money market securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution to Big Brothers and Big Sisters of Dane County, Inc. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Endowment net asset composition by type of fund as of December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 106,424	\$ 106,424
Board-designated endowment funds	365,369	-	-	365,369
Board-designated - MCF	14,595	-	-	14,595
Total	\$ 379,964	\$ -	\$ 106,424	\$ 486,388
	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 106,424	\$ 106,424
Board-designated endowment funds	318,246	-	-	318,246
Board-designated - MCF	13,834	-	-	13,834
Total	\$ 332,080	\$ -	\$ 106,424	\$ 438,504

Changes in endowment net assets as of December 31, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at December 31, 2014	\$ 360,224	\$ -	\$ 106,324	\$ 466,548
Contributions	-	-	100	100
Investment income	13,079	-	-	13,079
Net depreciation	(38,997)	-	-	(38,997)
Appropriation for expenditures	(2,226)	-	-	(2,226)
Endowment net assets at December 31, 2015	332,080	-	106,424	438,504
Contributions	-	-	-	-
Investment income	15,044	-	-	15,044
Net appreciation	32,840	-	-	32,840
Appropriation for expenditures	-	-	-	-
Endowment net assets at December 31, 2016	\$ 379,964	\$ -	\$ 106,424	\$ 486,388