

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

FINANCIAL STATEMENTS

December 31, 2017 and 2016

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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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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February 16, 2018

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BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash	\$ 18,763	\$ 68,340
Promises to give	123,080	4,500
Prepaid expenses	15,632	22,032
Total current assets	157,475	94,872
FURNITURE AND EQUIPMENT		
Furniture and equipment	50,205	48,362
Accumulated depreciation	(47,410)	(46,432)
Furniture and equipment - net	2,795	1,930
OTHER ASSETS		
Beneficial interest in assets held by Madison Community Foundation	16,359	14,595
Investments	531,125	471,693
Promises to give	136,000	1,000
Total assets	\$ 843,754	\$ 584,090
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 6,499	\$ 14,274
Accrued expenses	23,654	34,938
Line of credit	25,000	35,000
Total liabilities	55,153	84,212
NET ASSETS		
Unrestricted		
Board designated endowment	424,800	365,369
Board designated - Madison Community Foundation	16,359	14,595
Undesignated (deficit)	(23,312)	490
Unrestricted	417,847	380,454
Temporarily restricted	264,330	13,000
Permanently restricted	106,424	106,424
Total net assets	788,601	499,878
Total liabilities and net assets	\$ 843,754	\$ 584,090

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF ACTIVITIES
Years ended December 31, 2017 and 2016

	2017	2016
UNRESTRICTED NET ASSETS		
SUPPORT AND REVENUE		
Allocation and contributions from United Way	\$ 163,911	\$ 213,399
Special events	469,183	404,400
Cost of special events	(138,046)	(119,042)
Contributions	407,311	354,680
Investment return	68,819	45,584
	<u>971,178</u>	<u>899,021</u>
Total unrestricted support and revenue	971,178	899,021
EXPENSES		
Program services	542,539	553,313
Management and general	164,635	147,818
Fundraising	235,531	163,073
	<u>942,705</u>	<u>864,204</u>
Total expenses	942,705	864,204
Net assets released from restrictions	<u>12,000</u>	<u>22,750</u>
Change in unrestricted net assets	40,473	57,567
TEMPORARILY RESTRICTED NET ASSETS		
Contributions	260,250	10,000
Net assets released from restrictions	<u>(12,000)</u>	<u>(22,750)</u>
Change in temporarily restricted net assets	<u>248,250</u>	<u>(12,750)</u>
Change in net assets	288,723	44,817
Net assets - beginning of year	<u>499,878</u>	<u>455,061</u>
Net assets - end of year	<u>\$ 788,601</u>	<u>\$ 499,878</u>

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program Services	Management and General	Fundraising	Cost of Special Events	Total
Salaries	\$ 325,371	\$ 41,173	\$ 151,122	\$ -	\$ 517,666
Employee benefits	66,663	6,093	10,102	-	82,858
Payroll taxes	25,633	3,098	11,998	-	40,729
Total salaries and related expenses	417,667	50,364	173,222	-	641,253
Contract services	16,914	64,357	32,120	76,335	189,726
Food and supplies	7,320	7,680	3,793	26,948	45,741
Telephone	2,350	3,889	932	-	7,171
Postage, shipping, and printing	1,757	4,762	15,327	7,337	29,183
Insurance	13,366	3,819	1,909	-	19,094
Occupancy	26,370	7,534	3,767	-	37,671
Travel	4,020	4,792	2,023	4,653	15,488
Conferences and meetings	12,052	4,800	2,024	-	18,876
Advertising	1,228	264	316	1,000	2,808
Assistance to individuals	9,569	-	-	-	9,569
Interest expense	-	2,096	-	-	2,096
Dues to affiliates	-	10,083	-	-	10,083
Depreciation	685	195	98	-	978
Total expenses before contributed goods	513,298	164,635	235,531	116,273	1,029,737
Contributed goods	29,241	-	-	21,773	51,014
Total expenses	542,539	164,635	235,531	138,046	1,080,751
Less expenses included with support and revenue on the statements of activities	-	-	-	(138,046)	(138,046)
Total expenses included in the expenses section of the statements of activities	\$ 542,539	\$ 164,635	\$ 235,531	\$ -	\$ 942,705

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	23,715	48,653	29,562	54,123	156,052
Food and supplies	7,733	4,640	1,432	33,943	47,748
Telephone	2,860	2,611	611	-	6,082
Postage, shipping, and printing	1,376	19,523	4,012	4,417	29,329
Insurance	17,647	5,042	2,521	-	25,210
Occupancy	27,253	7,786	3,893	-	38,932
Travel	4,952	2,238	3,324	1,635	12,149
Conferences and meetings	3,732	6,921	1,913	-	12,566
Advertising	661	1,202	89	2,200	4,152
Assistance to individuals	7,149	-	576	-	7,725
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.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 288,723	\$ 44,817
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	978	753
Donated stock	(25,398)	-
Net realized and unrealized gain on investments	(51,229)	(32,840)
(Increase) decrease in assets		
Receivables	-	420
Promises to give	(253,580)	2,500
Prepaid expenses	6,400	1,369
Increase (decrease) in liabilities		
Accounts payable	(7,775)	10,207
Accrued expenses	(11,284)	13,835
Net cash flows from operating activities	(53,165)	41,061
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(1,843)	-
Distributions from agency endowment	673	-
Purchase of and interest retained in investments	(28,915)	(15,044)
Net cash flows from investing activities	13,588	(15,044)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on line of credit	(130,000)	(177,000)
Proceeds from line of credit	120,000	170,000
Net cash flows from financing activities	(10,000)	(7,000)
Net change in cash	(49,577)	19,017
Cash - beginning of year	68,340	49,323
Cash - end of year	\$ 18,763	\$ 68,340
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 2,096	\$ 2,751
Noncash investing activities		
Donated stock	25,398	-

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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, 2017 and 2016 receivable in more than one year were \$136,000 and \$1,000.

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.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, 2017 and 2016, Big Brothers and Big Sisters of Dane County, Inc. received \$4,800 and \$2,300 in related party 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, fundraising 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.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2017 and 2016 totaled \$2,808 and \$4,152.

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.

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Date of Management's Review

Management has evaluated subsequent events through February 16, 2018, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Mutual funds	\$ 518,990	\$ 431,437
Money market funds	<u>12,135</u>	<u>40,256</u>
Total investments	<u>\$ 531,125</u>	<u>\$ 471,693</u>

Investment return for 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 23,753	\$ 16,839
Net realized and unrealized gain (loss)	51,229	32,840
Investment fees	<u>(6,163)</u>	<u>(4,095)</u>
Investment return	<u>\$ 68,819</u>	<u>\$ 45,584</u>

Investment fees for 2017 and 2016 include donated investment services of \$4,800 and \$2,300 provided by a member of the board of directors.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

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.

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.

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. The Big Brothers and Big Sisters of Dane County, Inc. received distributions of \$673 and \$0 in 2017 and 2016

NOTE 4 – 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, 2018. The interest rate on outstanding principal is prime plus 1.5% with a floor of 5%. At December 31, 2017, the interest rate was 6.00%. The line of credit is secured by Big Brothers and Big Sisters of Dane County, Inc.'s assets. At December 31, 2017 and 2016, there was an outstanding balance of \$25,000 and \$35,000.

NOTE 5 – NET ASSETS

Temporarily restricted net assets at December 31, 2017 and 2016 are available for the following:

	2017	2016
Time	\$ 259,080	\$ 3,000
BFKS	3,000	-
Matchmaker	1,250	-
Gala	1,000	10,000
Temporarily restricted net assets	\$ 264,330	\$ 13,000

Permanently restricted net assets at December 31, 2017 and 2016 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, 2017 and 2016

NOTE 5 – NET ASSETS (continued)

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

	<u>2017</u>	<u>2016</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 6 – 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 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Gross revenue	\$ 469,183	\$ 404,400
Cost of special events		
BFKS	15,840	12,131
Gala	90,569	82,022
DAD's event	-	18,458
Other	<u>31,637</u>	<u>6,431</u>
Cost of special events	<u>138,046</u>	<u>119,042</u>
Special events - net	<u>\$ 331,137</u>	<u>\$ 285,358</u>

NOTE 7 – 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 required monthly payments of \$3,139 through December 2017 and will require monthly payments of \$3,297 for 2018. Rental expense for 2017 and 2016 was \$37,671. Future minimum lease payments for 2018 total \$39,564.

NOTE 8 – 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 \$5,731 and \$4,831 for 2017 and 2016.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 9 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2017 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	\$ 518,990	\$ 518,990	\$ -	\$ -
Money market funds	12,135	12,135	-	-
Beneficial interest in net assets held by MCF	16,359	-	-	16,359
	<u>\$ 547,484</u>	<u>\$ 531,125</u>	<u>\$ -</u>	<u>\$ 16,359</u>

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 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, 2017 and 2016

NOTE 9 – 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	
	2017	2016
Beginning balance	\$ 14,595	\$ 13,834
Change in value of beneficial interest included in change in net assets	2,437	761
Distribution	(673)	-
Ending balance	\$ 16,359	\$ 14,595

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

NOTE 10 – 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.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 10 – ENDOWMENTS (continued)

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 *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, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2017 Total</u>
Donor-restricted endowment funds	\$ -	\$ 106,424	\$ 106,424
Board-designated endowment funds	424,800	-	424,800
Board-designated - MCF	16,359	-	16,359
	<u>\$ 441,159</u>	<u>\$ 106,424</u>	<u>\$ 547,583</u>
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>
Donor-restricted endowment funds	\$ -	\$ 106,424	\$ 106,424
Board-designated endowment funds	365,369	-	365,369
Board-designated - MCF	14,595	-	14,595
	<u>\$ 379,964</u>	<u>\$ 106,424</u>	<u>\$ 486,388</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

NOTE 10 – ENDOWMENTS (continued)

Changes in endowment net assets as of December 31, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets at December 31, 2015	\$ 332,080	\$ 106,424	\$ 438,504
Investment income	15,044	-	15,044
Net appreciation	<u>32,840</u>	<u>-</u>	<u>32,840</u>
Endowment net assets at December 31, 2016	379,964	106,424	486,388
Investment income	23,753	-	23,753
Net appreciation	51,229	-	51,229
Appropriation for expenditures	<u>(13,787)</u>	<u>-</u>	<u>(13,787)</u>
Endowment net assets at December 31, 2017	<u>\$ 441,159</u>	<u>\$ 106,424</u>	<u>\$ 547,583</u>