

Audited Financial Statements

Nutmeg Big Brothers / Big Sisters, Inc.

*Years Ended June 30, 2015 and 2014
with Independent Auditors' Report*

Nutmeg Big Brothers / Big Sisters, Inc.

Audited Financial Statements

Years ended June 30, 2015 and 2014

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EXPERIENCE THAT COUNTS.

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, 2015 and 2014, 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, 2015 and 2014, 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.

Fiondella, Milone & LaSaracina LLP

Glastonbury, Connecticut
November 19, 2015

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

Assets	June 30,	
	2015	2014
Current assets:		
Cash and cash equivalents	\$ 50,881	\$ 53,232
Investments	39,903	17,447
Receivables, net of allowance for doubtful accounts	102,903	159,321
Prepaid expenses	12,229	9,327
Total current assets	205,916	239,327
Non-current assets:		
Property and equipment, net	27,628	23,423
Total assets	\$ 233,544	\$ 262,750
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 24,232	\$ 66,483
Accrued expenses	52,939	45,281
Deferred revenue	18,858	5,000
Line of credit	-	26,000
Note payable, current portion	5,065	8,467
Total current liabilities	101,094	151,231
Note payable, less current portion	-	5,065
Total liabilities	101,094	156,296
Unrestricted net assets	126,438	106,454
Temporarily restricted net assets	6,012	-
Total net assets	132,450	106,454
Total liabilities and net assets	\$ 233,544	\$ 262,750

See accompanying notes

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

	Years Ended			June 30, 2014
	June 30, 2015			
	Unrestricted	Temporarily Restricted	Total	
Support and revenues				
Special events, net	\$ 266,907	\$ -	\$ 266,907	\$ 234,487
United Way	203,879	-	203,879	230,932
U.S. Treasury	239,671	-	239,671	259,049
Contributions	639,345	6,012	645,357	643,577
Other governmental grants and contracts	33,124	-	33,124	33,438
In-kind contributions	219,197	-	219,197	256,317
HartSprings Foundation, Inc.	45,893	-	45,893	67,774
Investment income (loss)	(305)	-	(305)	580
Total support and revenues	<u>1,647,711</u>	<u>6,012</u>	<u>1,653,723</u>	<u>1,726,154</u>
Expenses				
Program services:				
Big Brothers / Big Sisters	1,056,752	-	1,056,752	1,002,847
Foster Grandparents	324,962	-	324,962	334,433
	<u>1,381,714</u>	<u>-</u>	<u>1,381,714</u>	<u>1,337,280</u>
Supporting services:				
Management and general	87,045	-	87,045	89,093
Fundraising	158,968	-	158,968	181,729
	<u>1,627,727</u>	<u>-</u>	<u>1,627,727</u>	<u>1,608,102</u>
Total expenses	<u>1,627,727</u>	<u>-</u>	<u>1,627,727</u>	<u>1,608,102</u>
Changes in net assets	<u>19,984</u>	<u>6,012</u>	<u>25,996</u>	<u>118,052</u>
Net assets (deficit) - beginning of year	<u>106,454</u>	<u>-</u>	<u>106,454</u>	<u>(11,598)</u>
Net assets - end of year	<u>\$ 126,438</u>	<u>\$ 6,012</u>	<u>\$ 132,450</u>	<u>\$ 106,454</u>

See accompanying notes

Nutmeg Big Brothers / Big Sisters, Inc.
Statement of Functional Expenses
Year Ended June 30, 2015

	<u>Program Services</u>		Management and General	Fundraising	Total
	Big Brothers / Big Sisters	Foster Grandparents			
Salaries and related expenses:					
Salaries	\$ 532,956	\$ 85,335	\$ 28,955	\$ 93,854	\$ 741,100
Payroll taxes	45,924	7,124	2,316	8,229	63,593
Employee benefits	59,826	15,953	3,742	10,241	89,762
Total salaries and related expenses	<u>638,706</u>	<u>108,412</u>	<u>35,013</u>	<u>112,324</u>	<u>894,455</u>
Other expenses:					
Activities	46,094	15,946	227	12,840	75,107
Bad debt expense	82,503	-	-	5,180	87,683
Conferences and meetings	1,403	1,009	8,487	817	11,716
Donated advertising	141,850	-	-	-	141,850
Dues and subscriptions	9,558	-	8,444	576	18,578
Equipment rental and maintenance	16,158	2,668	4,151	1,619	24,596
Insurance	9,060	14,762	6,266	352	30,440
Interest	-	-	1,597	-	1,597
Bank fees	-	-	558	3,043	3,601
Occupancy	47,470	6,032	7,477	1,631	62,610
Office expense and supplies	1,541	1,885	667	199	4,292
Postage	1,299	556	105	766	2,726
Printing and publications	432	199	126	13,163	13,920
Professional fees	33,105	5,814	8,810	5,950	53,679
Telephone and internet	14,405	2,750	2,246	60	19,461
Travel	6,112	1,413	1,760	205	9,490
Volunteer support	-	162,619	-	-	162,619
Total other expenses	<u>410,990</u>	<u>215,653</u>	<u>50,921</u>	<u>46,401</u>	<u>723,965</u>
Depreciation	7,056	897	1,111	243	9,307
Total functional expenses	<u>\$ 1,056,752</u>	<u>\$ 324,962</u>	<u>\$ 87,045</u>	<u>\$ 158,968</u>	<u>\$ 1,627,727</u>

See accompanying notes

Nutmeg Big Brothers / Big Sisters, Inc.
Statement of Functional Expenses
Year Ended June 30, 2014

	<u>Program Services</u>		Management and General	Fundraising	Total
	Big Brothers / Big Sisters	Foster Grandparents			
Salaries and related expenses:					
Salaries	\$ 485,244	\$ 76,991	\$ 33,951	\$ 99,503	\$ 695,689
Payroll taxes	48,702	9,255	5,550	10,435	73,942
Employee benefits	58,017	17,360	3,802	9,434	88,613
Total salaries and related expenses	591,963	103,606	43,303	119,372	858,244
Other expenses:					
Activities	96,539	22,794	-	-	119,333
Bad debt expense	15,219	-	-	5,342	20,561
Conferences and meetings	189	60	7,360	175	7,784
Donated advertising	140,000	-	-	-	140,000
Dues and subscriptions	12,617	-	6,746	228	19,591
Equipment rental and maintenance	15,161	3,051	5,970	954	25,136
Insurance	9,854	16,787	4,148	-	30,789
Interest	-	-	2,050	-	2,050
Bank fees	-	37	1,187	5,104	6,328
Occupancy	51,335	3,422	3,422	10,267	68,446
Office expense and supplies	2,202	743	574	41	3,560
Postage	1,706	757	179	1,194	3,836
Printing and publications	536	-	60	14,469	15,065
Professional fees	33,310	9,050	10,001	23,360	75,721
Telephone and internet	14,833	2,630	2,309	45	19,817
Travel	11,680	670	1,404	37	13,791
Volunteer support	-	170,446	-	-	170,446
Total other expenses	405,181	230,447	45,410	61,216	742,254
Depreciation	5,703	380	380	1,141	7,604
Total functional expenses	<u>\$ 1,002,847</u>	<u>\$ 334,433</u>	<u>\$ 89,093</u>	<u>\$ 181,729</u>	<u>\$ 1,608,102</u>

See accompanying notes

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

	Years Ended	
	June 30,	
	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ 25,996	\$ 118,052
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	9,307	7,604
Unrealized loss on investments	1,937	45
Bad debt expense	87,683	20,561
Changes in assets and liabilities:		
Receivables, net	(31,265)	(84,857)
Prepaid expenses	(2,902)	14,259
Accounts payable	(42,251)	6,793
Accrued expenses	7,658	3,992
Deferred revenue	13,858	(63,500)
Net cash provided by operating activities	70,021	22,949
Cash flows from financing activities		
Repayment of debt	(8,467)	(8,159)
Net (repayments) borrowings on line of credit	(26,000)	13,719
Net cash (used) provided by financing activities	(34,467)	5,560
Cash flows from investing activities		
Purchase of investments	(24,393)	(17,492)
Purchase of equipment	(13,512)	(12,803)
Net cash used by investing activities	(37,905)	(30,295)
Net decrease in cash and cash equivalents	(2,351)	(1,786)
Cash and cash equivalents - beginning of year	53,232	55,018
Cash and cash equivalents - end of year	\$ 50,881	\$ 53,232
Supplemental cash flow information:		
Cash paid during year:		
Interest	\$ 1,597	\$ 2,050

See accompanying notes

Nutmeg Big Brothers / Big Sisters, Inc.

Notes to Financial Statements

June 30, 2015 and 2014

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

The Organization had temporarily restricted assets of \$6,012 and \$0 as of June 30, 2015 and 2014, respectively, which were designated for a server upgrade. The Organization did not have any permanently restricted net assets at June 30, 2015 and 2014.

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, 2015 and 2014.

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 and mutual funds 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 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. The allowance for doubtful accounts was \$123,754 and \$41,251 at June 30, 2015 and 2014, respectively, which related to a single grantor.

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 (refundable advances).

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. During 2015, the Organization's annual golfing event, planned for June, was postponed to the next fiscal year due to rain. As of and for the year ended June 30, 2015, \$18,200 related to the golfer registration for the tournament has been included in deferred revenue on the accompanying statements of financial position, and \$97,500 related to sponsorships and participant contributions have been recognized as revenue since the possibility that the tournament would not take place was remote.

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

2. Summary of Significant Accounting Policies (continued)

Recognition of Donor-Restricted Contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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, 2015 and 2014, \$141,850 and \$140,000, respectively, has been recognized as revenue in the financial statements for donated advertising services; \$24,840 and \$41,541, respectively, has been recognized for donated professional services, including annual report design, legal services and photography; \$44,455 and \$65,456, respectively, has been recognized for various donated gifts, which consist primarily of tickets to events; and \$8,052 and \$9,320, 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, 2015 and 2014 consist of mutual funds and money market accounts, which are classified as investments and cash equivalents, respectively, and are considered Level 1 investments.

Investments in mutual funds and money market accounts are valued using market prices on 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)

Recent Accounting Pronouncements

In June 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities: Services Received from Personnel of an Affiliate* (ASU 2013-06). ASU 2013-06 requires that a recipient not-for-profit entity recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. The update is effective prospectively for fiscal years beginning after June 15, 2014. The application of ASU 2013-06 did not have a material effect on the Organization's financial statements.

Reclassifications

Certain reclassifications have been made to the 2014 financial statement presentation to correspond to the 2015 format.

3. Reserve Fund

The Board of Directors has designated \$41,616 and \$41,920 as of June 30, 2015 and 2014, 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, 2015 and 2014 were as follows:

	2015	2014
Reserve fund, beginning of year	\$ 41,920	\$ 41,340
Investment gain (loss), net of fees	(304)	580
Reserve fund, end of year	\$ 41,616	\$ 41,920

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

4. Investments

Investments as of June 30, 2015 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 41,885	\$ 39,903	\$ (1,982)

The following schedule summarizes the investment return for the year ended June 30, 2015:

Interest and dividends	\$ 1,632
Unrealized loss	(1,937)
	<u>\$ (305)</u>

Investments as of June 30, 2014 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Loss</u>
Mutual funds	\$ 17,492	\$ 17,447	\$ (45)

The following schedule summarizes the investment return for the year ended June 30, 2014:

Interest and dividends	\$ 625
Unrealized gain	167
Investment expense	(212)
	<u>\$ 580</u>

5. Receivables

Unconditional pledges made to the Organization prior to June 30, 2015 and 2014 were recorded as receivables for the periods ended June 30, 2015 and 2014. Receivables consist of the following at June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Contributions	\$ 14,825	\$ 31,659
Grants and contracts, net	86,176	120,000
HartSprings Foundation, Inc. (see Note 9)	1,902	7,662
Total	<u>\$ 102,903</u>	<u>\$ 159,321</u>

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

5. Receivables (continued)

As of June 30, 2015 and 2014, amounts receivable from the Office of Juvenile Justice and Delinquency Prevention represented 61% and 69% of total gross receivables, and carried a reserve of \$123,754 and \$41,251, respectively (see Note 2). As of June 30, 2014, amounts receivable under the Foster Grandparents Program were approximately 13% of total gross receivables.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	2015	2014
Leasehold improvements	\$ 18,950	\$ 6,080
Furniture and fixtures	23,080	23,080
Computers and software	97,190	96,548
	139,220	125,708
Less: accumulated depreciation	(111,592)	(102,285)
Total property and equipment, net	\$ 27,628	\$ 23,423

Depreciation expense related to property and equipment was \$9,307 and \$7,604 for the years ended June 30, 2015 and 2014, respectively.

7. Debt

Notes Payable

In January 2013, the Organization entered into an agreement with an unrelated third-party in the amount of \$25,000. The 2013 Promissory Note carries an interest rate of 3.71%, requires monthly payments of principal and interest in the amount of \$735 and has a maturity date of January 8, 2016. The note is secured by the balance in the Organization's reserve fund (see Note 3). Future minimum payments due on the promissory note are \$5,065 for the year ending June 30, 2016.

Line of Credit

In April 2013, 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, 2015. 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, 2016 unless extended by the lender. There was \$0 and \$26,000 outstanding under the line of credit at June 30, 2015 and 2014, respectively.

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

8. United Way Allocations

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

	<u>2015</u>	<u>2014</u>
United Way of the Capitol Area, Inc.	\$ 160,000	\$ 181,000
United Way of West Central Connecticut	4,250	5,000
United Way of Northwest Connecticut, Inc.	9,784	14,478
United Way of Southington	3,000	3,250
United Way of Naugatuck and Beacon Falls, Inc.	4,848	5,234
United Way of Meriden and Wallingford	7,883	8,087
United Way of Greater Waterbury	14,059	13,883
United Way of Middlesex	55	-
Total	<u>\$ 203,879</u>	<u>\$ 230,932</u>

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, 2016 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, 2015 and 2014, Nutmeg Big Brothers / Big Sisters, Inc. earned \$45,893 and \$67,774, 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, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Gross revenue	\$ 331,331	\$ 388,537
Less: costs of direct benefits to donors	(64,424)	(154,050)
Special events revenue, net	<u>\$ 266,907</u>	<u>\$ 234,487</u>

The Organization's annual golfing event scheduled for June 2015 was postponed to the next fiscal year due to rain, therefore, the net special events revenue for the year ended June 30, 2015 includes only sponsorships and the donation portion of the ticket cost, and not golfer registration.

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

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 subject to examination by the IRS until the applicable statute of limitation expires.

12. Operating Lease Commitments

The Organization has a lease for office space in Hartford, Connecticut through December 2019. The monthly lease payment from January 2012 through December 2014 was \$5,460. The Organization entered into a new lease for the same location with reduced monthly lease payments from January 2015 through December 2019 of \$4,519 per month. Rent expense for the years ended June 30, 2015 and 2014 was \$59,877 and \$65,526, respectively.

Future minimum rental payments under non-cancelable operating leases are \$54,228 for the years ended June 30, 2016 through June 30, 2019 and \$27,114 for the year ended June 30, 2020.

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 \$17,133 and \$18,603 for the years ending June 30, 2015 and 2014, 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, 2015 and 2014, this support was approximately 14% of total revenues. 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. The Organization currently does not make contributions to the plan.

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, 2015 and November 19, 2015, the date the financial statements were available to be issued.