

Big Brothers Big Sisters of Washtenaw County

(a nonprofit Michigan corporation)

Ypsilanti, Michigan

Financial Statements

December 31, 2022 and 2021

Big Brothers Big Sisters of Washtenaw County

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Independent Auditors' Report

To the Board of Directors
Big Brothers Big Sisters of Washtenaw County
Ypsilanti, Michigan

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Washtenaw County (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Big Brothers Big Sisters of Washtenaw County as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. The financial statements of Big Brothers Big Sisters of Washtenaw County as of December 31, 2021 were audited by other auditors whose report dated September 16, 2021 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Big Brothers Big Sisters of Washtenaw County and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Washtenaw County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Big Brothers Big Sisters of Washtenaw County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Washtenaw County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Altruic Advisors, CPAs

Certified Public Accountants

Ann Arbor, Michigan
September 1, 2023

Big Brothers Big Sisters of Washtenaw County

Statements of Financial Position

December 31	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 306,200	\$ 314,293
Investments	49,214	-
Pledges receivable, current, less allowance for doubtful accounts of \$2,400 in 2022 and \$2,504 in 2021	123,925	44,879
Grants receivable	33,095	200,543
Prepaid expenses	5,194	5,218
Total current assets	<u>517,628</u>	<u>564,933</u>
Equipment		
Equipment and furniture, net	<u>812</u>	<u>1,091</u>
Other Assets		
Pledges receivable, net of current portion and net present value discount	<u>246,186</u>	<u>22,163</u>
Total assets	<u>\$ 764,626</u>	<u>\$ 588,187</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 5,592	\$ 2,154
Accrued personnel costs	37,829	39,837
Total current liabilities	<u>43,421</u>	<u>41,991</u>
Net Assets		
Without donor restrictions	351,094	479,154
With donor restrictions	370,111	67,042
Total net assets	<u>721,205</u>	<u>546,196</u>
Total liabilities and net assets	<u>\$ 764,626</u>	<u>\$ 588,187</u>

The accompanying Notes are an integral
part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Statement of Activities

Year ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support			
Contributions and grants	\$ 395,343	\$ 345,000	\$ 740,343
Special events	197,276	-	197,276
Donated goods	6,165	-	6,165
Net assets released from restrictions			
Expiration of time restrictions	41,931	(41,931)	-
Total operating support	640,715	303,069	943,784
Operating Expenses			
Program services	512,202	-	512,202
Supporting services			
General and administrative	45,031	-	45,031
Fundraising	214,028	-	214,028
Total operating expenses	771,261	-	771,261
Total operating support in deficit of operating expenses	(130,546)	303,069	172,523
Other Changes			
Interest income	2,486	-	2,486
Change in Net Assets	(128,060)	303,069	175,009
Net Assets, Beginning of Year	479,154	67,042	546,196
Net Assets, End of Year	\$ 351,094	\$ 370,111	\$ 721,205

The accompanying Notes are an integral
part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Statement of Activities

Year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Support			
Contributions and grants	\$ 489,284	\$ 20,000	\$ 509,284
Special events	247,326	-	247,326
Donated goods	5,135	-	5,135
Net assets released from restrictions			
Satisfaction of purpose restrictions	1,108	(1,108)	-
Expiration of time restrictions	40,974	(40,974)	-
Total operating support	<u>783,827</u>	<u>(22,082)</u>	<u>761,745</u>
Operating Expenses			
Program services	434,634	-	434,634
Supporting services			
General and administrative	49,593	-	49,593
Fundraising	195,003	-	195,003
Total operating expenses	<u>679,230</u>	<u>-</u>	<u>679,230</u>
Total operating support in excess (deficit) of operating expenses	<u>104,597</u>	<u>(22,082)</u>	<u>82,515</u>
Other Changes			
Gain on debt forgiveness	177,284	-	177,284
Interest income	88	-	88
Total other changes	<u>177,372</u>	<u>-</u>	<u>177,372</u>
Change in Net Assets	281,969	(22,082)	259,887
Net Assets, Beginning of Year	<u>197,185</u>	<u>89,124</u>	<u>286,309</u>
Net Assets, End of Year	<u>\$ 479,154</u>	<u>\$ 67,042</u>	<u>\$ 546,196</u>

The accompanying Notes are an integral
part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Statement of Functional Expenses

Year ended December 31, 2022

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 337,898	\$ 18,629	\$ 95,261	\$ 113,890	\$ 451,788
Payroll taxes	26,511	1,482	7,577	9,059	35,570
Employee benefits	17,915	1,074	3,865	4,939	22,854
Total personnel costs	<u>382,324</u>	<u>21,185</u>	<u>106,703</u>	<u>127,888</u>	<u>510,212</u>
Occupancy	29,333	1,863	20,385	22,248	51,581
Dues and subscriptions	23,327	2,373	5,882	8,255	31,582
Awards and recognition	13,865	106	6,967	7,073	20,938
Insurance	17,861	517	1,861	2,378	20,239
Net present value discount	-	-	19,936	19,936	19,936
Other consulting fees	1,561	91	16,339	16,430	17,991
Accounting fees	504	17,314	-	17,314	17,818
Supplies	7,872	245	7,439	7,684	15,556
Meals	2,436	459	12,167	12,626	15,062
Marketing	12,626	-	2,202	2,202	14,828
Printing and postage	1,309	64	6,481	6,545	7,854
Communication expense	5,042	303	1,386	1,689	6,731
Background checks	5,952	183	-	183	6,135
Bank and merchant fees	18	90	4,692	4,782	4,800
Travel	3,096	79	642	721	3,817
Conferences and meetings	2,541	19	443	462	3,003
Equipment rent and maintenance	2,153	140	503	643	2,796
Depreciation	279	-	-	-	279
Bad debt expense	103	-	-	-	103
Total expenses	<u>\$ 512,202</u>	<u>\$ 45,031</u>	<u>\$ 214,028</u>	<u>\$ 259,059</u>	<u>\$ 771,261</u>

The accompanying Notes are an integral part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Statement of Functional Expenses

Year ended December 31, 2021

	Supporting Services			Total	Total Expenses
	Program Services	General and Administrative	Fundraising		
Salaries and wages	\$ 293,787	\$ 23,856	\$ 104,859	\$ 128,715	\$ 422,502
Payroll taxes	21,453	1,825	8,020	9,845	31,298
Employee benefits	11,107	703	3,375	4,078	15,185
Total personnel costs	326,347	26,384	116,254	142,638	468,985
Occupancy	25,605	1,789	23,087	24,876	50,481
Dues and subscriptions	21,308	2,893	7,217	10,110	31,418
Insurance	17,947	532	2,556	3,088	21,035
Other consulting fees	13,588	94	6,851	6,945	20,533
Accounting fees	1,538	16,832	-	16,832	18,370
Awards and recognition	2,400	60	11,109	11,169	13,569
Meals	1,323	87	9,510	9,597	10,920
Printing and postage	529	26	8,537	8,563	9,092
Supplies	7,071	62	891	953	8,024
Communication expense	5,411	375	1,269	1,644	7,055
Bank and merchant fees	89	104	4,730	4,834	4,923
Marketing	2,321	-	2,065	2,065	4,386
Background checks	3,987	-	-	-	3,987
Equipment rent and maintenance	1,863	131	630	761	2,624
Conferences and meetings	1,053	224	186	410	1,463
Depreciation	1,335	-	-	-	1,335
Travel	919	-	111	111	1,030
Total expenses	\$ 434,634	\$ 49,593	\$ 195,003	\$ 244,596	\$ 679,230

The accompanying Notes are an integral part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 175,009	\$ 259,887
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	279	1,335
Net present value discount	19,936	-
Gain on debt forgiveness	-	(177,284)
Increase (decrease) from changes in assets and liabilities		
Pledges receivable	(323,005)	43,173
Grants receivable	167,448	(199,888)
Prepaid expenses	24	(166)
Accounts payable	3,438	485
Accrued personnel costs	(2,008)	4,383
Net cash provided (used) by operating activities	<u>41,121</u>	<u>(68,075)</u>
Cash Flows From Investing Activities		
Purchases of investments	(49,214)	-
Net cash used by investing activities	<u>(49,214)</u>	<u>-</u>
Cash Flows From Financing Activities		
Proceeds from issuance of PPP loan	-	88,643
Net cash provided by financing activities	<u>-</u>	<u>88,643</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(8,093)	20,568
Cash and Cash Equivalents, Beginning of Year	314,293	293,725
Cash and Cash Equivalents, End of Year	\$ 306,200	\$ 314,293

The accompanying Notes are an integral
part of these financial statements

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies

Nature of Organization. Big Brothers Big Sisters of Washtenaw County ("the Organization" or "BBBS") is a Michigan non-profit corporation. Over 100 years ago, Big Brothers Big Sisters was founded as an innovative alternative to the juvenile justice system to create equity and empowerment for young people who needed us most. Today, this spirit drives BBBS to become the foremost Justice, Equity, Diversity, and Inclusion youth empowerment organization putting every kid on the path to graduate with a plan for their future and the impact of a mentor for their lifetime.

BBBS began serving Washtenaw County youth and families in 1991, as a sponsored program, under the trusteeship of Huron Service for Youth, and later Help Source. In the first several years of Big Brothers Big Sisters of Washtenaw County's programming, an average of 45 children were matched annually. The program grew over the next ten years, serving 163 youths in 2001. In July 2007, the Organization became a freestanding, independent organization and is proud to have created and supported over 7,600 one-to-one mentoring relationships over the last 30 years. The Organization receives a majority of its support from contributions and grants from interested parties.

Use of Estimates. The preparation of 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 results could differ from those estimates.

Basis of Accounting. The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents. The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Investments. The Organization's investments are stated at fair value ("FV"). Fair value is the price that would be received to see an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. *See Fair Value Measurements.*

Unrealized gains and losses on investments are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Fair Value Measurements. The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Fair Value Measurements (continued)

- | | |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none">- Quoted prices for similar assets or liabilities in active markets;- Quoted prices for identical or similar assets or liabilities in inactive markets;- Inputs other than quoted prices that are observable for the asset or liability;- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| Level 3 | Inputs to the valuation technology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

Treasury Bills. The Organization values treasury bills with readily determinable market values at fair value as determined by quoted market prices on national securities exchanges valued at the closing price on the last business day of the fiscal year.

The method described above may produce fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, 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.

Pledges and Grants Receivable. Pledges receivable are recognized only when the conditions on which they depend are substantially met and the pledges become unconditional. Pledges receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual pledges. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable. Management has estimated the allowance for doubtful accounts to be \$2,400 and \$2,504 as of December 31, 2022 and 2021, respectively.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Property and Equipment. It is the Organization's policy to capitalize property and equipment at cost for purchases over \$500, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets which are five to fifteen years for equipment and furniture. Depreciation expense for the years ended December 31, 2022 and 2021 was \$279 and \$1,335, respectively.

Basis of Net Asset Presentation. The Organization reports information regarding its financial position and activities according to two classes of net assets, net assets without donor restrictions and net assets with donor restrictions:

Without Donor Restrictions. Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

With Donor Restrictions. Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

Revenue Recognition. Revenues are recorded as the services are rendered. Prepaid amounts are recorded when payments are made. As the services are rendered, revenue is then recorded. No revenue was recognized for the years ended December 31, 2022 and 2021.

Contributions and Grants. Contributions and grants are recognized when the amounts are received. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

Contributed Goods and Services and New Accounting Pronouncement Adopted. The Organization records the fair value of contributed services in the financial statements if services received either (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. The Organization received donated goods during the years ended December 31, 2022 and 2021 (see Note 5).

The Financial Accounting Standards Board issued Accounting Standards Update ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The new standard requires that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information and utilization, policies, and valuation techniques.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 1 – Nature of Organization and Significant Accounting Policies (continued)

Marketing and Advertising. The Organization expenses marketing and advertising costs, including donated marketing and advertising, as incurred. Total marketing and advertising expense for the years ended December 31, 2022 and 2021 was \$14,828 and \$4,386, respectively.

Income Taxes. The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private Organization. Accordingly, no provision for income taxes has been made.

Functional Allocation of Expenses. Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

Reclassifications. Certain amounts from the prior year consolidated financial statements have been reclassified to conform to the current year presentation without affecting net assets as of December 31, 2021.

Subsequent Events. The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 1, 2023, the date at which the financial statements were available for release.

Note 2 – Pledges Receivable

Pledges receivable are expected to be collected as follows at December 31:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 126,325	\$ 47,383
Due within one to five years	266,667	22,500
Total pledges receivable	392,992	69,883
Less allowance for bad debt	(2,400)	(2,504)
Less unamortized present value discount	(20,481)	(337)
	<u>\$ 370,111</u>	<u>\$ 67,042</u>

Pledges receivable due in more than one year are recognized at fair value using present value techniques and a discount rate of 1.26%.

Note 3 - Conditional Promises to Give

The Organization receives conditional promises to give related to federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 3 - Conditional Promises to Give (continued)

Conditional contributions consisted of the following as of December 31, 2021:

Condition/Grant Purpose	Total Award Amount	Spent to Date	Conditional Contribution
Mentoring Youth	\$ 66,074	\$ 46,335	\$ 19,739

Note 4 - Fair Value Measurements

The following summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
U.S. Treasury bills	49,214	-	-	49,214
	<u>\$ 49,214</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,214</u>

Changes in Fair Value Levels. The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from fair value to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the year ended December 31, 2022, there were no significant transfers in or out of fair value levels.

Net investment earnings consisted of the following for the year ended December 31, 2022:

Interest income	<u>\$ 350</u>
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Note 5 – Net Assets with Donor Restrictions

The following summarizes the balances of net assets with donor restrictions at December 31, 2022:

	January 1, 2022 Balance	Additions	Releases	December 31, 2022 Balance
<i>Time restrictions:</i>				
Pledges receivable	\$ 67,042	\$ 345,000	\$ 41,931	\$ 370,111
	<u>\$ 67,042</u>	<u>\$ 345,000</u>	<u>\$ 41,931</u>	<u>\$ 370,111</u>

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 5 – Net Assets with Donor Restrictions (continued)

The following summarizes the balances of net assets with donor restrictions at December 31, 2021:

	January 1, 2021 Balance	Additions	Releases	December 31, 2021 Balance
<i>Purpose restrictions:</i>				
Capital expenditures	\$ 1,108	\$ -	\$ 1,108	\$ -
<i>Time restrictions:</i>				
Pledges receivable	88,016	20,000	40,974	67,042
	<u>\$ 89,124</u>	<u>\$ 20,000</u>	<u>\$ 42,082</u>	<u>\$ 67,042</u>

Note 6 – In-Kind Contributions

In-kind contributions are as follows for the years ended December 31:

	2022	2021
Donated goods	<u>\$ 6,165</u>	<u>\$ 5,135</u>

Donated goods, used for programming and fundraising activities, were valued using fair value of the items based on retail values that would be received for purchasing similar products in the Ypsilanti, Michigan area. No in-kind contributions were restricted.

Note 7 – Paycheck Protection Program Loans

During 2020, the Organization was granted a loan ("the PPP Loan") from the Bank of Ann Arbor in the amount of \$88,641, pursuant to the Paycheck Protection Program ("the PPP") under Division A, Title I of the Coronavirus Aid, Relief and Economic Security Act ("the CARES Act"), which was enacted March 27, 2020.

Under the terms of the PPP, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. These qualifying expenses include payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before June 23, 2020 or through an alternate period extended upon request of the Organization.

During 2021, the Organization was granted a loan ("the 2nd PPP Loan") from the Bank of Ann Arbor in the amount of \$88,643, pursuant to the Paycheck Protection Program ("the 2nd PPP") under The Economic Aid to Hard-Hit Small Businesses, Nonprofits and Venues Act ("the Economic Aid Act"), which was enacted December 27, 2020.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 7 – Paycheck Protection Program Loans (continued)

Under the terms of the 2nd PPP, certain amounts of the 2nd PPP Loan may be forgiven if they are used for qualifying expenses as described in the Economic Aid Act. These qualifying expenses include mortgage payments, rent, utilities, interest on other debt obligations, PPE costs, payments for any business software or cloud computing service that facilitates operations, product or service delivery, payroll expenses, human resources, sales and billing functions, or accounting of supplies and inventory, covered property damage, and covered supplier costs incurred before September 1, 2021.

The Organization incurred such qualifying expenses and was granted forgiveness of the PPP Loan and the Second PPP Loan in 2021. The total amount of principal forgiveness was \$177,284 and is shown as a gain on debt forgiveness in the statement of activities for the year ended December 31, 2021.

Note 8 – Commitments

The Organization leases office space under an operating lease agreement that expires in August 2023, with required monthly payments of \$2,885. Rent expense under the aforementioned lease was \$33,956 and \$32,966 for the years ended December 31, 2022 and 2021, respectively.

Future annual minimum lease payments under operating leases are as follows at December 31, 2022:

Year ended December 31	Total
2023	<u>\$ 23,080</u>

Note 9 – Transactions with National Affiliate

The Organization is an affiliate of the national organization Big Brothers Big Sisters of America (BBBSA). During the years ended December 31, 2022 and 2021, the Organization paid affiliation fees to BBBSA of \$15,125 and \$21,882, respectively. These fees are paid to Big Brothers Big Sisters of America for access to the national program management database, national marketing/volunteer recruitment campaigns, access to federal dollars from competitive pass-through grants, access to national corporate partners, and access to online tools that support training and networking.

The Organization also receives grant income passed through BBBSA. For the years ended December 31, 2022 and 2021 respectively, the Organization recognized \$94,631 and \$65,457 in pass-through support from BBBSA. As of December 31, 2022 and 2021 respectively, \$33,095 and \$19,190 of grant support was receivable from BBBSA.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 10 – Special Events

The Organization derived net support from the following special fundraising events during the year ended December 31, 2022:

	<u>Autumn Affair</u>	<u>Golf Event</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 152,415	\$ 42,657	\$ 2,204	\$ 197,276
Direct costs	(59,353)	(46,672)	(12,980)	(119,005)
Net support (loss)	<u>\$ 93,062</u>	<u>\$ (4,015)</u>	<u>\$ (10,776)</u>	<u>\$ 78,271</u>

The Organization derived net support from the following special fundraising events during the year ended December 31, 2021:

	<u>Autumn Affair</u>	<u>Golf Event</u>	<u>Other Events</u>	<u>Total</u>
Gross proceeds	\$ 173,301	\$ 71,036	\$ 2,989	\$ 247,326
Direct costs	(67,393)	(45,843)	(1,413)	(114,649)
Net support	<u>\$ 105,908</u>	<u>\$ 25,193</u>	<u>\$ 1,576</u>	<u>\$ 132,677</u>

Note 11 – Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability; maintaining adequate liquid assets to fund near-term operating needs; and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a goal to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2022 and 2021, the level of liquidity and reserves was managed within the policy requirements.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 11 – Liquidity and Availability of Resources (continued)

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 306,200	\$ 314,293
Investments	49,214	-
Pledges receivable	370,111	67,042
Grants receivable	33,095	200,543
	<u>758,620</u>	<u>581,878</u>
Less amounts not available to be used within one year:		
Pledges receivable for long-term purposes	<u>(246,186)</u>	<u>(22,163)</u>
Financial assets available for general expenditures within one year	<u>\$ 512,434</u>	<u>\$ 559,715</u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all net asset restrictions as of December 31, 2022 will be fully released during the next fiscal year.

Note 12 – Beneficial Interest in Assets Held at Community Foundation

The Organization entered into an agreement with the Ann Arbor Area Community Foundation ("the Foundation") to create the Big Brothers Big Sisters Endowment Fund ("the Fund"). The purpose of the Fund is to provide support in furtherance of the general program and charitable purposes of the Organization. The Foundation may distribute the earnings and principal of the Fund as it deems appropriate and in accordance with investment policies adopted by the Foundation to support the programs and stated charitable purpose of the Organization. As the Foundation holds variance power over these assets and, therefore, has the authority to redirect these funds, these amounts are not recorded as assets of the Organization.

At December 31, 2022 and 2021, the Foundation held donations for the benefit of BBBS of \$357,536 and \$426,336, respectively. The Foundation distributed \$14,089 and \$13,288 from the fund in grants to the Organization during the years ended December 31, 2022 and 2021, respectively. These distributions are included in grants and contributions in the accompanying statements of activities.

Note 13 – Concentrations of Credit Risk

Major Donors. During the years ended December 31, 2022 and 2021, two major donors of the Organization comprised 44% and 16% of total operating support, respectively.

Bank Deposits. The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2022 and 2021.

Big Brothers Big Sisters of Washtenaw County

Notes to Financial Statements

December 31, 2022 and 2021

Note 14 – Subsequent Merger and Name Change

Subsequent to year-end, the Organization entered into an agreement and plan of merger with Big Brothers Big Sisters of Metropolitan Detroit with Big Brothers Big Sisters of Washtenaw County named as the surviving entity. Upon the consummation of the merger, the name of the surviving entity was legally changed to Big Brothers Big Sisters of Southeast Michigan, a 501(c)(3) nonprofit organization. No cash, shares, securities, equity interests, or obligations were distributed to or received from either Big Brothers Big Sisters of Washtenaw County or Big Brothers Big Sisters of Metropolitan Detroit as a result of this merger agreement.