



# Financial Statements

As of and for the years ended December 31, 2023 and 2022

## Big Brothers Big Sisters of Southeast Michigan

(Formerly Big Brothers Big Sisters of Washtenaw County)

Ypsilanti, Michigan



**ALTRUICADVISORS**<sup>®</sup>  
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# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

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## **Independent Auditors' Report**

To the Board of Directors  
Big Brothers Big Sisters of Southeast Michigan  
Ypsilanti, Michigan

### **Opinion**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Southeast Michigan (a nonprofit corporation, formerly incorporated as Big Brothers Big Sisters of Washtenaw County), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years 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 Southeast Michigan as of December 31, 2023 and 2022, 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.

### **Basis for Opinion**

We conducted our audits 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 Southeast Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Emphasis of Matter**

As discussed in Note 6 to the financial statements, Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County) combined with Big Brothers/Big Sisters of Metropolitan Detroit, effective August 1, 2023. Our opinion is not modified with respect to this matter.

### **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 Southeast Michigan'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 auditors' 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 Southeast Michigan'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 Southeast Michigan'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Altruic Advisors, CPAs*

Certified Public Accountants

Plymouth, Michigan  
October 29, 2024

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Statements of Financial Position

December 31	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 366,640	\$ 306,200
Investments	1,547,764	49,214
Pledges and grants receivable, current, less allowance for doubtful accounts of \$2,400 in 2023 and 2022	331,931	157,020
Prepaid expenses	306	5,194
Total current assets	<u>2,246,641</u>	<u>517,628</u>
<b>Equipment</b>		
Equipment and furniture, net	<u>4,188</u>	<u>812</u>
<b>Other Assets</b>		
Pledges and grants receivable, net of current portion and net present value discount	208,713	246,186
Security deposit	1,266	-
Total current assets	<u>209,979</u>	<u>246,186</u>
Total assets	<u>\$ 2,460,808</u>	<u>\$ 764,626</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 29,460	\$ 5,592
Accrued personnel costs	126,682	37,829
Total current liabilities	<u>156,142</u>	<u>43,421</u>
<b>Net Assets</b>		
Without donor restrictions	1,775,469	351,094
With donor restrictions	529,197	370,111
Total net assets	<u>2,304,666</u>	<u>721,205</u>
Total liabilities and net assets	<u>\$ 2,460,808</u>	<u>\$ 764,626</u>

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Statement of Activities

Year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support</b>			
Contributions and grants	\$ 651,693	\$ 268,520	\$ 920,213
Net contributions of assets from			
BBBS Detroit (see Note 6)	1,873,381	-	1,873,381
Special events	257,544	-	257,544
Net assets released from restrictions			
Expiration of time restrictions	109,434	(109,434)	-
	<u>2,892,052</u>	<u>159,086</u>	<u>3,051,138</u>
Total operating support			
	<u>2,892,052</u>	<u>159,086</u>	<u>3,051,138</u>
<b>Operating Expenses</b>			
Program services	984,933	-	984,933
Supporting services			
General and administrative	401,842	-	401,842
Fundraising	115,678	-	115,678
Total operating expenses	<u>1,502,453</u>	<u>-</u>	<u>1,502,453</u>
Total operating support in excess of operating expenses	<u>1,389,599</u>	<u>159,086</u>	<u>1,548,685</u>
<b>Other Changes</b>			
Interest income	34,776	-	34,776
<b>Change in Net Assets</b>	1,424,375	159,086	1,583,461
<b>Net Assets, Beginning of Year</b>	351,094	370,111	721,205
<b>Net Assets, End of Year</b>	<u>\$ 1,775,469</u>	<u>\$ 529,197</u>	<u>\$ 2,304,666</u>

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Statement of Activities

Year ended December 31, 2022

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

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Statement of Functional Expenses

Year ended December 31, 2023

	Program Services	Supporting Services			Total Expenses
		General and Administrative	Fundraising	Total	
Salaries and wages	\$ 744,250	\$ 202,088	\$ 42,191	\$ 244,279	\$ 988,529
Payroll taxes	55,064	18,709	3,268	21,977	77,041
Employee benefits	20,233	41,449	1,317	42,766	62,999
Total personnel costs	<u>819,547</u>	<u>262,246</u>	<u>46,776</u>	<u>309,022</u>	<u>1,128,569</u>
Occupancy	42,988	9,492	8,871	18,363	61,351
Accounting fees	1,424	56,748	-	56,748	58,172
Dues and subscriptions	35,344	11,515	5,177	16,692	52,036
Other consulting fees	10,022	12,896	17,717	30,613	40,635
Insurance	21,510	2,032	1,432	3,464	24,974
Legal fees	-	21,183	-	21,183	21,183
Communication expense	11,730	3,145	1,256	4,401	16,131
Supplies	9,488	4,000	1,277	5,277	14,765
Meals	4,105	3,999	6,151	10,150	14,255
Awards and recognition	7,726	2,136	4,280	6,416	14,142
Printing and postage	1,570	994	10,399	11,393	12,963
Marketing	1,001	6,140	3,096	9,236	10,237
Conferences and meetings	6,527	805	120	925	7,452
Travel	3,416	2,037	922	2,959	6,375
Equipment rent and maintenance	3,637	859	632	1,491	5,128
Background checks	4,865	227	-	227	5,092
Bank and merchant fees	33	738	3,325	4,063	4,096
Other expenses	-	-	3,137	3,137	3,137
Net present value discount expense	-	-	1,110	1,110	1,110
Depreciation	-	650	-	650	650
Total expenses	<u>\$ 984,933</u>	<u>\$ 401,842</u>	<u>\$ 115,678</u>	<u>\$ 517,520</u>	<u>\$ 1,502,453</u>

The accompanying Notes are an integral  
part of these financial statements



# Big Brothers Big Sisters of Southeast Michigan (formerly 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 expense	-	-	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>

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part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

Years ended December 31	2023	2022
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,583,461	\$ 175,009
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	650	279
Reinvestment of interest income	(29,170)	-
Net present value discount	1,110	19,936
Amortization of net present value discount	(4,799)	-
Investments received as a result of business combination	(1,624,331)	-
Increase (decrease) from changes in assets and liabilities		
Pledges and grants receivable	(133,749)	(155,557)
Prepaid expenses	4,888	24
Security deposit	(1,266)	-
Accounts payable	23,868	3,438
Accrued personnel costs	88,853	(2,008)
Net cash provided (used) by operating activities	<u>(90,485)</u>	<u>41,121</u>
<b>Cash Flows From Investing Activities</b>		
(Purchases) sales of investments	154,951	(49,214)
Purchases of property and equipment	(4,026)	-
Net cash provided (used) by investing activities	<u>150,925</u>	<u>(49,214)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>60,440</b>	<b>(8,093)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>306,200</b>	<b>314,293</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 366,640</b>	<b>\$ 306,200</b>

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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### Note 1 – Nature of Organization and Significant Accounting Policies

*Nature of Organization.* Big Brothers Big Sisters of Southeast Michigan, formerly Big Brothers Big Sisters of Washtenaw County (see Note 6) ("the Organization" or "BBBS") is a Michigan non-profit corporation. Over 100 years ago, the Big Brothers Big Sisters movement 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. 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.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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

*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:

- |         |  |
|---------|--|
| 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"><li>- Quoted prices for similar assets or liabilities in active markets;</li><li>- Quoted prices for identical or similar assets or liabilities in inactive markets;</li><li>- Inputs other than quoted prices that are observable for the asset or liability;</li><li>- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li></ul> <p>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.</p> |
| 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:

*Certificates of Deposit.* The Organization values certificates of deposit at fair value by discounting related cash flow based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

*Mutual Funds.* The Organization values mutual funds with readily determinable market values at fair value as determined by quoted prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on over-the-counter markets are valued at the last reported bid price.

*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.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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

#### *Fair Value Measurements* (continued).

The methods 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 and grants receivable are recognized only when the conditions on which they depend are substantially met and the amounts become unconditional. Pledges and grants 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 amounts. 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 as of December 31, 2023 and 2022.

*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, 2023 and 2022 was \$650 and \$279, respectively.

*Right-of-Use Assets and Leases.* The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long term lease obligations on the Organization's statement of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization does not recognize the right-of-use asset and lease liability arising from leases that, at the commencement date has a term of 12 months or less, and does not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. As most of the Organization's leases do not provide an implicit rate, the Organization uses incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the term.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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

*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, 2023 and 2022.

*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.* 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 year ended December 31, 2022 (see Note 5).

*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, 2023 and 2022 was \$10,237 and \$14,828, 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.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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

*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 October 29, 2024, the date at which the financial statements were available for release.

### Note 2 – Pledges and Grants Receivable

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

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 334,331	\$ 159,420
Due within one to five years	<u>225,505</u>	<u>266,667</u>
Total pledges and grants receivable	559,836	426,087
Less allowance for bad debt	(2,400)	(2,400)
Less unamortized present value discount	<u>(16,792)</u>	<u>(20,481)</u>
	<u>\$ 540,644</u>	<u>\$ 403,206</u>

Pledges and grants receivable due in more than one year are recognized at fair value using present value techniques and a discount rate of 4.82%.

### Note 3 – 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, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificate of Deposits	\$ -	\$ 1,237,776	\$ -	\$ 1,237,776
Mutual Funds	<u>309,988</u>	-	-	<u>309,988</u>
	<u>\$ 309,988</u>	<u>\$ 1,237,776</u>	<u>\$ -</u>	<u>\$ 1,547,764</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury bills	<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.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 3 – Fair Value Measurements (continued)

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 years ended December 31, 2023 and 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:

	<b>2023</b>	<b>2022</b>
Interest income	<u>\$ 29,170</u>	<u>\$ 350</u>

### Note 4 – Net Assets with Donor Restrictions

The following summarizes the balances of net assets with donor restrictions at December 31, 2023:

	<b>Balance January 1, 2023</b>	<b>Additions</b>	<b>Releases</b>	<b>Balance December 31, 2023</b>
<i>Time restrictions:</i>				
Pledges and grants receivable	<u>\$ 370,111</u>	<u>\$ 268,520</u>	<u>\$ 109,434</u>	<u>\$ 529,197</u>

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

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

### Note 5 – In-Kind Contributions

In-kind contributions are as follows for the year ended December 31, 2022:

Donated goods	<u>\$ 6,165</u>
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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. There were no in-kind contributions received during the year ended December 31, 2023.



# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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### Note 6 – Commitments and Contingencies

*Operating Lease*. The Organization leases office space under an operating lease agreement that expired in August 2024, with required monthly payments of \$2,971 for the Ann Arbor office. Additionally, the Organization leases office space under an operating lease agreement that expired in February 2024 with required monthly payments of \$1,013 for the Detroit office. Rent expense under the aforementioned lease was \$45,089 and \$33,956 for the years ended December 31, 2023 and 2022, respectively. The Organization does not account for these leases under ASU No. 2016-02 (see Note 1) as management believes the impact would be insignificant to the Organization's financial statements.

Future annual minimum lease payments under operating leases are as follows at December 31, 2023:

Year ended	Total
<u>December 31</u>	
2024	<u>\$ 25,793</u>

*Business Combination*. During 2023, a Plan of Merger was adopted by the boards of directors of Big Brothers Big Sisters of Washtenaw County and Big Brothers/Big Sisters of Metropolitan Detroit with Big Brothers Big Sisters of Washtenaw County named as the surviving corporation. Both organizations shared a core mission to serve and empower young people and to further related program offerings, especially each organization's mentoring programs. A Certificate of Merger was filed with and approved by the State of Michigan, with an effective merger date of August 1, 2023.

In accounting for this combination transaction, the Organization applied Accounting Standards Update (ASU) No. 2019-06, *Intangibles — Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958): Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. No goodwill was recorded as a result of this transaction. The following assets and liabilities were assumed by Big Brothers Big Sisters of Washtenaw County as of August 1, 2023:

Cash	\$ 207,625
Investments	1,624,331
Grants receivable	55,000
Net property and equipment	4,293
Security deposit	1,266
Less: accrued personnel costs	<u>(19,134)</u>
Net amount recorded as contributions in the accompanying statement of activities for the year ended December 31, 2023	<u>\$ 1,873,381</u>

*Restated Articles of Incorporation*. As a result of the business combination with Big Brothers/Big Sisters of Metropolitan Detroit, Big Brothers Big Sisters of Washtenaw County, as the surviving corporation, filed Restated Articles of Incorporation. Effective August 1, 2023, the surviving corporation is named Big Brothers Big Sisters of Southeast Michigan.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 7 – 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, 2023 and 2022, the Organization paid affiliation fees to BBBSA of \$19,712 and \$15,125, 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, 2023 and 2022, respectively, the Organization recognized \$68,719 and \$94,631 in pass-through support from BBBSA. As of December 31, 2023 and 2022, respectively, \$20,950 and \$33,095 of grant support was due from BBBSA.

### Note 8 – Special Events

The Organization derived net support from the following special fundraising events during the year ended December 31, 2023:

	<u>Autumn Affair</u>	<u>BFKS Event</u>	<u>Total</u>
Gross proceeds	\$ 197,431	\$ 60,113	\$ 257,544
Direct costs	(54,268)	(35,338)	(89,606)
Net support	<u>\$ 143,163</u>	<u>\$ 24,775</u>	<u>\$ 167,938</u>

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	<u>\$ 93,062</u>	<u>\$ (4,015)</u>	<u>\$ (10,776)</u>	<u>\$ 78,271</u>

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

### Note 9 – 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, 2023 and 2022, the level of liquidity and reserves was managed within the policy requirements.

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 366,640	\$ 306,200
Investments	1,547,764	49,214
Pledges and grants receivable	540,644	403,206
	<u>2,455,048</u>	<u>758,620</u>
Less amounts not available to be used within one year:		
Pledges receivable for long-term purposes	<u>(208,713)</u>	<u>(246,186)</u>
Financial assets available for general expenditures within one year	<u>\$ 2,246,335</u>	<u>\$ 512,434</u>

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all current net asset restrictions as of December 31, 2023 will be fully released during the next fiscal year.

### Note 10 – 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, 2023 and 2022, the Foundation held donations for the benefit of BBBS of \$393,871 and \$357,536, respectively. The Foundation distributed \$14,667 and \$14,089 from the fund in grants to the Organization during the years ended December 31, 2023 and 2022, respectively. These distributions are included in grants and contributions in the accompanying statements of activities.

# Big Brothers Big Sisters of Southeast Michigan (formerly Big Brothers Big Sisters of Washtenaw County)

## Notes to Financial Statements

December 31, 2023 and 2022

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### Note 11 – Concentrations of Credit Risk

*Major Donors.* During the year ended December 31, 2023, one major donor of the Organization comprised 11% of total operating support. During the year ended December 31, 2022, two major donors of the Organization comprised 44% of total operating support.

*Bank Deposits.* The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2023 and 2022.