

**Big Brothers Big Sisters of
Washtenaw County**

Financial Statements

**December 31, 2020
(With Summarized Comparative
Information for 2019)**



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Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters of Washtenaw County
Ypsilanti, MI

We have audited the accompanying financial statements of Big Brothers Big Sisters of Washtenaw County which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Washtenaw County as of December 31, 2020, 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.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Washtenaw County's December 31, 2019, financial statements, and our report dated July 17, 2020 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
June 2, 2021

Big Brothers Big Sisters of Washtenaw County
Statement of Financial Position
December 31, 2020
(With Summarized Comparative Information for 2019)

	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 293,725	\$ 306,583
Pledges receivables, net	41,689	8,661
Prepaid expenses	5,052	4,494
Grants receivable	22,854	12,594
Total current assets	363,320	332,332
Pledges receivables, net	46,327	129,979
Property and equipment, net	2,426	2,820
Total assets	\$ 412,073	\$ 465,131
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 1,669	\$ 1,768
Accrued payroll and taxes	18,227	28,960
Accrued expenses	17,227	15,090
PPP loan	88,641	-
Total current liabilities	125,764	45,818
Net assets		
Without donor restrictions		
Unrestricted net assets	197,185	280,673
With donor restrictions		
Time-restricted for future periods	89,124	138,640
Total net assets	286,309	419,313
Total liabilities and net assets	\$ 412,073	\$ 465,131

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Activities
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenues and support				
Donations	\$ 137,582	\$ 89,011	\$ 226,593	\$ 344,013
Grants	62,734	-	62,734	81,547
Special events	222,463	-	222,463	259,922
Interest income	2,849	-	2,849	405
Net assets released from restrictions	<u>138,527</u>	<u>(138,527)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>564,155</u>	<u>(49,516)</u>	<u>514,639</u>	<u>685,887</u>
Expenses				
Program	411,984	-	411,984	419,018
Management and general	44,815	-	44,815	79,294
Fundraising	<u>190,844</u>	<u>-</u>	<u>190,844</u>	<u>172,805</u>
Total expenses	<u>647,643</u>	<u>-</u>	<u>647,643</u>	<u>671,117</u>
Change in net assets	(83,488)	(49,516)	(133,004)	14,770
Net assets - beginning of year	<u>280,673</u>	<u>138,640</u>	<u>419,313</u>	<u>404,543</u>
Net assets - end of year	<u>\$ 197,185</u>	<u>\$ 89,124</u>	<u>\$ 286,309</u>	<u>\$ 419,313</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Functional Expenses
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	Program	Management and General	Fundraising	2020	2019
Expenses					
Salaries and wages	\$ 291,579	\$ 24,121	\$ 111,469	\$ 427,169	\$ 392,835
Payroll taxes and fringe benefits	36,228	2,611	12,103	50,942	44,716
Bad debt expense (recovery)	-	(5,457)	-	(5,457)	23,500
Insurance - liability	16,318	662	3,087	20,067	18,588
Rent and utilities	22,925	2,081	9,711	34,717	41,422
Outside contract services	861	6,296	3,608	10,765	26,423
Telephone	4,449	273	1,229	5,951	4,715
Supplies	1,890	93	779	2,762	12,528
Equipment rental and maintenance	1,864	169	791	2,824	2,793
Postage and delivery	696	32	4,958	5,686	2,909
Travel	1,951	10	141	2,102	7,934
Printing and copying	752	56	5,832	6,640	6,840
Property insurance	553	153	235	941	1,220
Finance fees	47	109	5,951	6,107	8,440
Miscellaneous	801	1,274	5,437	7,512	12,524
Background checks	3,814	-	-	3,814	4,184
Dues and subscriptions	20,246	2,819	6,231	29,296	23,853
Depreciation expense	1,143	125	518	1,786	1,856
Professional fees	1,258	9,206	5,276	15,740	10,800
Awards and recognition	4,227	38	13,415	17,680	19,806
Conferences and training	382	144	73	599	3,231
Total expenses	<u>\$ 411,984</u>	<u>\$ 44,815</u>	<u>\$ 190,844</u>	<u>\$ 647,643</u>	<u>\$ 671,117</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Cash Flows
For the Year Ended December 31, 2020
(With Summarized Comparative Information for 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (133,004)	\$ 14,770
Items not requiring cash		
Depreciation	1,786	1,856
Bad debt expense (recovery)	(5,457)	23,500
Changes in operating assets and liabilities		
Pledges receivable	56,081	(55,985)
Prepaid expenses	(558)	160
Grants receivable	(10,260)	(12,594)
Accounts payable	(99)	(331)
Accrued payroll and taxes	(10,733)	4,133
Accrued expenses	2,137	278
	<u> </u>	<u> </u>
Net cash used by operating activities	(100,107)	(24,213)
Cash flows from investing activities		
Purchase of property and equipment	(1,392)	-
Cash flows from financing activities		
Proceeds from issuance of PPP loan	88,641	-
	<u> </u>	<u> </u>
Net change in cash and cash equivalents	(12,858)	(24,213)
Cash and cash equivalents - beginning of year	306,583	330,796
	<u> </u>	<u> </u>
Cash and cash equivalents - end of year	<u>\$ 293,725</u>	<u>\$ 306,583</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2020
(With Summarized Comparative Information for December 31, 2019)

Note 1 – The Organization

Big Brothers Big Sisters of Washtenaw County (the "Organization") is a not-for-profit corporation that works to match children with positive role models who offer guidance and support in growing socially, emotionally, and academically. The Organization was originally started in 1991 as a sponsored program under the control of Huron Services for Youth, and later under the HelpSource umbrella. HelpSource ceased operations, and the Organization became an independent organization on July 23, 2007, and continues to serve the Washtenaw County area.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the *Audit and Accounting Guide for Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents for the purpose of the statements of cash flows. The Organization had \$15,802 in cash and cash equivalents in excess of FDIC insured limits at December 31, 2020.

Revenue Recognition

The Organization receives revenue primarily from grants, solicitations and special event activities. All contributions are considered without donor restrictions unless specifically restricted by the donor. When a restriction expires, amounts are then transferred to net assets without donor restrictions. Contributions of non-

Big Brothers Big Sisters of Washtenaw County
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December 31, 2020
(With Summarized Comparative Information for December 31, 2019)

cash assets are reflected at their fair value at the date of donation. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Grants Receivable

The Organization records grant revenue for reimbursement and service based contracts. The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary for grants as of December 31, 2020 and 2019. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions include the lines described on the statement of activities as donations.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

The allowance for doubtful account is based on factors such as historical data, risk of collection and other knowledge of the Organization. The Organization has recorded an allowance for doubtful accounts of \$4,653 and \$15,200 at December 31, 2020 and 2019, respectively.

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. The amounts will be utilized in the next year.

Property and Equipment

The Organization has a policy of capitalizing purchases or donations of equipment if the cost or fair market value is at least \$500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to fifteen years.

Paycheck Protection Program (PPP) Loan

The Organization accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 *Debt*. Interest is accrued throughout the life of the loan, even when no payments are currently due.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation and occupancy. These expenses are allocated based on a time and cost study of where efforts are made.

Comparative Financial Statements

The amounts shown for the year ended December 31, 2019, in the accompanying financial statements are included to provide a basis for comparison with 2020 and present summarized totals only. Accordingly, the 2019 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2020

(With Summarized Comparative Information for December 31, 2019)

Income Taxes

The Organization, is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code, and is exempt from federal and state income taxes.

Endowment Fund Held in Perpetual Trust

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. Under the agreement, the Foundation has title to, will hold, and administer all contributions made to the Fund. 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. The Foundation may also commingle the assets of the Fund with any other funds it may hold and administer provided that the separate identity of the Fund and the distributions made are maintained.

The Fund's combined fair market value approximates \$368,012 and \$341,716 at December 31, 2020 and 2019, respectively. The Foundation distributed \$13,065 and \$12,973 from the fund in grants to the Organization during the years ended December 31, 2020 and 2019, respectively. This is included in donations revenue on the statement of activities.

This Fund does not qualify as a reciprocal transfer asset as defined in Financial Accounting Standards Board codification titled *Transfer of Assets to a Not-for-profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, therefore, no asset is reflected in the financial statements.

Subsequent Events

Management has evaluated subsequent events through June 2, 2021, which is the date the financial statements were available to be issued.

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash and cash equivalents	\$ 293,725	\$ 306,583
Pledges receivables	41,689	8,661
Grants receivable	<u>22,854</u>	<u>12,594</u>
Total financial assets - end of year	358,268	327,838
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<u>42,797</u>	<u>8,661</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 315,471</u>	<u>\$ 319,177</u>

Big Brothers Big Sisters of Washtenaw County

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The Organization's goal is generally to maintain financial assets to meet 15-20% of annual operating expenses. The Organization also has an endowment fund that disburses funds annually at 5% of the annual rolling average.

Note 4 – Promises to Give

Promises to give on the statement of financial position consist of:

	2020	2019
Pledges receivable	\$ 93,056	\$ 156,767
Less: allowance for bad debt	(4,653)	(15,200)
Less: net present value adjustment	(387)	(2,927)
Pledges receivables, net	\$ 88,016	\$ 138,640

Promises to give are scheduled to be collected as follows:

For the Year Ended December 31,		
2021	\$	41,689
2022		25,017
2023		23,600
2024		2,083
2025		667
Total	\$	93,056

Management has elected the fair value option for promises to give in order to simplify the accounting for promises to give made in multiple years. The promises to give are discounted using the applicable federal rate of 0.48%.

Promises to give activity for December 31 is detailed as follows:

	2020	2019
Balance beginning of the year	\$ 138,640	\$ 106,155
Add: new pledges	85,889	233,474
Less: collections	(149,600)	(210,184)
Less: change in allowance for bad debt	10,547	9,900
Less: change in net present value adjustment	2,540	(705)
Balance end of the year	\$ 88,016	\$ 138,640

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2020

(With Summarized Comparative Information for December 31, 2019)

Note 5 – 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 2 CFR 200. The conditional contributions consisted of the following as of December 31, 2020:

<u>Condition/ Grant Purpose</u>	<u>Total Contract/Grant Amount</u>	<u>Spent to Date</u>	<u>Conditional Contribution</u>
Mentoring Youth	\$ 61,574	\$ 42,452	\$ 19,122

There were no conditional contributions as of December 31, 2019.

Note 6 – Property and Equipment

Property and equipment consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 5,010	\$ 5,010
Computers	<u>23,177</u>	<u>21,785</u>
	28,187	26,795
Less accumulated depreciation	<u>(25,761)</u>	<u>(23,975)</u>
Net property and equipment	<u>\$ 2,426</u>	<u>\$ 2,820</u>

Note 7 – Net Assets With Donor Restrictions

Net Assets With Donor Restrictions consist of the following as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Multi-year pledges	\$ 88,016	\$ 138,640
Subject to expenditure for specified purpose:		
Capital expenditures	<u>1,108</u>	<u>-</u>
	<u>\$ 89,124</u>	<u>\$ 138,640</u>

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2020

(With Summarized Comparative Information for December 31, 2019)

Net assets were released from restrictions as follows during the years ended December 31:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions		
Multi-year pledges	\$ 137,135	\$ 200,989
Satisfaction of purpose		
Marketing and special events	<u>1,392</u>	<u>7,140</u>
	<u>\$ 138,527</u>	<u>\$ 208,129</u>

Note 8 – Note Payable

During the fiscal year, the Organization received a Paycheck Protection Program (PPP) Loan of \$88,641 funded by the Federal government through the Small Business Administration. The PPP loan and any accrued interest are forgivable after eight weeks as long as the borrower meets certain criteria. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduces loan forgiveness for certain reductions in salaries or reductions in FTEs. When final forgiveness, if any, is determined, a gain on extinguishment of debt will be realized for any forgiven amounts. There is a deferral of payments until loan forgiveness is determined or 10 months after the last day of the covered period, whichever occurs first.

Paycheck Protection Program (PPP) loan payable to the Federal government in monthly principal installments of \$10,050 plus interest at 1% through May 2022	<u>\$ 88,641</u>
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Subsequent to year end the Organization received full forgiveness of the Paycheck Protection Program loan and therefore, the Organization has classified the entire amount due as current.

Note 9 – Leases

In September 2016, the Organization signed a 5 year lease for their office space ending August 2021. The monthly rental rates under the lease range from \$2,417 through \$2,720 per month through August 31, 2021 increasing 3% annually. Rent expense under these leases for the years ending December 31, 2020 and 2019, was \$32,006 and \$31,074, respectively.

The future estimated minimum lease payments for office space are as follows:

<u>For the Year Ended December 31,</u>	
2021	<u>\$ 21,760</u>

Big Brothers Big Sisters of Washtenaw County
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(With Summarized Comparative Information for December 31, 2019)

Note 10 – Related Party Transactions

The Organization is an affiliate of the national organization, Big Brothers Big Sisters of America (BBBSA). Annual membership dues are paid to BBBSA based upon the prior year expenditures of the Organization. For the years ended December 31, 2020 and 2019, the Organization paid \$21,631 and \$15,227 to BBBSA. As of December 31, 2020 and 2019, no amounts were due to BBBSA. The Organization also receives grant revenue passed through BBBSA. For the years ended December 31, 2020 and 2019, the Organization recognized \$42,452 and \$61,845 in grant revenue from BBBSA as a pass-through entity, respectively. As of December 31, 2020 and 2019, \$22,854 and \$12,594 of grant revenue was receivable from BBBSA, respectively.

Note 11 – Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The Organization's ability to hold in person fundraising events has been hindered, but has since pivoted to virtual activities.

Note 12 – Subsequent Events

During 2021, the Organization has obtained an additional \$88,641 under the Paycheck Protection Program, which originated from the Coronavirus Aid, Relief, and Economic Security (CARES) act. The loans are backed by the Small Business Administration (SBA). The loan will be forgiven if certain criteria are met. The portion of the loan that is not forgiven will be repaid over 2 years and bears an interest rate of 1%.