BIG BROTHERS BIG SISTERS
OF THE GREATER TWIN CITIES

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of the Greater Twin Cities
Saint Paul, Minnesota

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Greater Twin Cities, which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Board of Directors
Big Brothers Big Sisters of the Greater Twin Cities

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 the Greater Twin Cities as of September 30, 2019 and 2018, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
February 20, 2020

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 940,067	$ 678,104
Short-Term Investments	1,026,298	1,994,644
Grants Receivable	45,875	77,633
Pledges Receivable, Net	659,976	476,431
Prepaid Expenses and Accrued Interest	138,954	154,963
Total Current Assets	2,811,170	3,381,775
OTHER ASSETS		
Investments	2,054,399	2,016,579
Property and Equipment, Net	1,867,365	155,090
Unemployment Services Trust	48,463	-
Community Foundation Holdings	-	12,347
Pledges Receivable, Net	174,239	-
Security Deposit	5,000	5,000
Total Other Assets	4,149,466	2,189,016
Total Assets	$ 6,960,636	$ 5,570,791
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 84,512	$ 83,107
Accrued Expenses	291,126	190,154
Deferred Rent and Lease Incentive Liability	11,847	18,932
Deferred Revenue	10,849	1,500
Current Portion of Capital Lease Obligation	4,487	4,090
Total Current Liabilities	402,821	297,783
LONG-TERM LIABILITIES		
Long-Term Debt	1,304,000	-
Long-Term Portion of Capital Lease Obligation	10,019	14,507
Total Long-Term Liabilities	1,314,019	14,507
Total Liabilities	1,716,840	312,290
NET ASSETS		
Without Donor Restrictions:		
Undesignated	3,251,429	2,139,726
Board-Designated - Better Futures Campaign	1,217,116	2,073,583
Total Net Assets Without Donor Restrictions	4,468,545	4,213,309
With Donor Restrictions	775,251	1,045,192
Total Net Assets	5,243,796	5,258,501
Total Liabilities and Net Assets	$ 6,960,636	$ 5,570,791

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	$ 2,942,100	$ 350,933	$ 3,293,033
Contributions Capital Campaign	-	952,356	952,356
Contributions In-Kind	48,515	-	48,515
Special Event Revenue	436,757	-	436,757
National Affiliation Pass-Through Contributions	1,921	25,500	27,421
United Way - Designated Gifts	47,203	-	47,203
Total Support	3,476,496	1,328,789	4,805,285
Used Goods Transactions:			
Third-Party Fundraising Revenue	205,541	-	205,541
Clothing and Other Goods Sales	3,502,214	-	3,502,214
Less: Cost of Goods Sold	(3,375,576)	-	(3,375,576)
Total Used Goods Transactions	332,179	-	332,179
Other Revenue:			
Grants	420,209	-	420,209
Interest and Dividend Income	2,787	2,175	4,962
Miscellaneous	68,491	-	68,491
Total Other Revenue	491,487	2,175	493,662
Total Support and Revenue before Releases	4,300,162	1,330,964	5,631,126
Net Assets Released from Restrictions - Capital Campaign	921,808	(921,808)	-
Net Assets Released from Restrictions - Other Time and Purpose Restricted	681,747	(681,747)	-
Total Support and Revenue	5,903,717	(272,591)	5,631,126
EXPENSES			
Program Services	3,442,804	-	3,442,804
Support Services:			
Management and General	1,062,704	-	1,062,704
Fundraising	836,087	-	836,087
Third-Party Fundraising Expense	205,541	-	205,541
Volunteer Recruitment	175,944	-	175,944
Total Expenses	5,723,080	-	5,723,080
CHANGE IN NET ASSETS FROM OPERATIONS	180,637	(272,591)	(91,954)
NONOPERATING CHANGE IN NET ASSETS			
Endowment Contributions	-	14,997	14,997
Unrealized Investment Gains	74,318	-	74,318
Realized Investment Gains	281	-	281
Change in Community Foundation Holdings	-	(12,347)	(12,347)
Total Nonoperating Change in Net Assets	74,599	2,650	77,249
CHANGE IN NET ASSETS	255,236	(269,941)	(14,705)
Net Assets - Beginning of Year	4,213,309	1,045,192	5,258,501
NET ASSETS - END OF YEAR	$ 4,468,545	$ 775,251	$ 5,243,796

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2018

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	$ 3,052,737	$ 279,627	$ 3,332,364
Contributions In-Kind	109,776	-	109,776
Special Event Revenue	391,416	-	391,416
National Affiliation Pass-Through Contributions	36,975	85,000	121,975
United Way - Allocation Support	95,500	285,000	380,500
United Way - Designated Gifts	72,262	-	72,262
Total Support	3,758,666	649,627	4,408,293
Used Goods Transactions:			
Third-Party Fundraising Revenue	855,512	-	855,512
Clothing and Other Goods Sales	5,578,172	-	5,578,172
Less: Cost of Goods Sold	(5,418,397)	-	(5,418,397)
Total Used Goods Transactions	1,015,287	-	1,015,287
Other Revenue:			
Grants	414,403	-	414,403
Interest and Dividend Income	7,757	2,845	10,602
Miscellaneous	543	-	543
Total Other Revenue	422,703	2,845	425,548
Total Support and Revenue before Releases	5,196,656	652,472	5,849,128
Net Assets Released from Restrictions	970,519	(970,519)	-
Total Support and Revenue	6,167,175	(318,047)	5,849,128
EXPENSES			
Program Services	3,323,233	-	3,323,233
Support Services:			
Management and General	885,539	-	885,539
Fundraising	782,724	-	782,724
Third-Party Fundraising Expense	855,512	-	855,512
Volunteer Recruitment	157,710	-	157,710
Total Expenses	6,004,718	-	6,004,718
CHANGE IN NET ASSETS FROM OPERATIONS	162,457	(318,047)	(155,590)
NONOPERATING CHANGE IN NET ASSETS			
Endowment Contributions	-	750	750
Unrealized Investment Gains	59,541	-	59,541
Realized Investment Gains	87	-	87
Change in Community Foundation Holdings	-	121	121
Total Nonoperating Change in Net Assets	59,628	871	60,499
CHANGE IN NET ASSETS	222,085	(317,176)	(95,091)
Net Assets - Beginning of Year	3,991,224	1,362,368	5,353,592
NET ASSETS - END OF YEAR	$ 4,213,309	$ 1,045,192	$ 5,258,501

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2019

		Support Services				
	Program Services	Management and General	Fundraising	Volunteer Recruitment	Total Support Services	Total
Salaries	$ 2,056,473	$ 561,452	$ 437,435	$ 112,282	$ 1,111,169	$ 3,167,642
Employee Benefits	297,361	17,196	36,497	8,819	62,512	359,873
Payroll Taxes	149,524	39,102	30,937	8,434	78,473	227,997
Total Payroll Expense	2,503,358	617,750	504,869	129,535	1,252,154	3,755,512
Professional Fees	180,664	171,674	324,680	3,741	500,095	680,759
Background Investigations	28,956	2,647	-	-	2,647	31,603
Supplies	172,070	9,000	8,438	6,330	23,768	195,838
Special Event Expenses	-	-	75,729	-	75,729	75,729
Postage and Delivery	1,505	1,946	6,724	83	8,753	10,258
Communications	19,195	17,008	1,131	1,220	19,359	38,554
Equipment and Maintenance	66,339	22,181	7,855	4,787	34,823	101,162
Occupancy	231,719	76,546	27,073	14,034	117,653	349,372
Advertising and Marketing	3,045	26,481	8,182	951	35,614	38,659
Printing and Publications	2,909	5,112	19,121	568	24,801	27,710
Local Travel and Meetings	31,324	24,998	9,746	4,640	39,384	70,708
Training, Seminars, and Conventions	25,228	30,671	7,693	995	39,359	64,587
Dues and Subscriptions	4,848	5,223	6,538	375	12,136	16,984
Scholarships	24,500	-	-	-	-	24,500
Interest	27,061	5,075	3,091	1,505	9,671	36,732
Insurance	47,177	12,262	5,571	2,880	20,713	67,890
Miscellaneous	163	1,919	16,687	9	18,615	18,778
National BBBS Dues	26,927	5,050	3,076	1,498	9,624	36,551
Total Expense Before Depreciation	3,396,988	1,035,543	1,036,204	173,151	2,244,898	5,641,886
Depreciation Expense	45,816	27,161	5,424	2,793	35,378	81,194
Total Expenses	$ 3,442,804	$ 1,062,704	$ 1,041,628	$ 175,944	$ 2,280,276	$ 5,723,080
Percent of Total Expenses	60.2%	18.6%	18.2%	3.1%	39.8%	100.0%

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2018

	Program Services	Support Services: Management and General	Support Services: Fundraising	Support Services: Volunteer Recruitment	Support Services: Total Support Services	Total
Salaries	$ 1,883,959	$ 473,621	$ 458,276	$ 104,371	$ 1,036,268	$ 2,920,227
Employee Benefits	284,653	51,893	42,416	8,656	102,965	387,618
Payroll Taxes	137,614	32,973	31,528	7,788	72,289	209,903
Total Payroll Expense	2,306,226	558,487	532,220	120,815	1,211,522	3,517,748
Professional Fees	214,785	146,953	937,793	4,985	1,089,731	1,304,516
Background Investigations	47,080	2,126	-	-	2,126	49,206
Supplies	237,267	7,203	1,864	3,577	12,644	249,911
Special Event Expenses	-	-	54,008	-	54,008	54,008
Postage and Delivery	3,505	660	5,261	46	5,967	9,472
Communications	20,510	13,470	769	993	15,232	35,742
Equipment and Maintenance	53,225	12,106	8,350	4,216	24,672	77,897
Occupancy	241,404	39,379	28,348	11,698	79,425	320,829
Advertising and Marketing	13,752	29,326	2,864	1,216	33,406	47,158
Printing and Publications	5,907	569	13,637	326	14,532	20,439
Local Travel and Meetings	32,270	30,194	4,199	2,493	36,886	69,156
Training, Seminars, and Conventions	19,794	17,850	14,013	1,140	33,003	52,797
Dues and Subscriptions	2,310	9,647	7,283	779	17,709	20,019
Scholarships	18,000	-	-	-	-	18,000
Interest	591	102	75	33	210	801
Insurance	49,928	8,303	5,660	2,425	16,388	66,316
Miscellaneous	79	-	15,330	137	15,467	15,546
National BBBS Dues	18,835	3,049	2,234	992	6,275	25,110
Total Expense Before Depreciation	3,285,468	879,424	1,633,908	155,871	2,669,203	5,954,671
Depreciation Expense	37,765	6,115	4,328	1,839	12,282	50,047
Total Expenses	$ 3,323,233	$ 885,539	$ 1,638,236	$ 157,710	$ 2,681,485	$ 6,004,718
Percent of Total Expenses	55.3%	14.7%	27.3%	2.6%	44.7%	100.0%

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (14,705)	$ (95,091)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	81,194	50,047
Realized and Unrealized Gain on Investments	(74,599)	(59,628)
(Increase) Decrease in Community Foundation Holdings	12,347	(121)
Perpetual Endowment Contributions	(14,997)	(750)
(Increase) Decrease in Allowance for Uncollectible Pledges	(6,825)	30,102
(Increase) Decrease in Current Assets:		
Grants Receivable	31,758	40,169
Pledges Receivable	(350,959)	204,993
Prepaid Expenses and Accrued Interest	16,009	(31,070)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	1,405	(2,016)
Accrued Expenses	100,972	(8,001)
Deferred Revenue	9,349	(3,500)
Deferred Rent	(7,085)	(4,079)
Net Cash Provided (Used) by Operating Activities	(216,136)	121,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(489,469)	(90,556)
Proceeds Received from Sale of Investments	10,298,758	4,021,566
Purchase of Investments	(9,342,096)	(6,019,205)
Net Cash Provided (Used) by Investing Activities	467,193	(2,088,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(4,091)	(4,466)
Perpetual Endowment Contributions	14,997	750
Net Cash Provided (Used) by Financing Activities	10,906	(3,716)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	261,963	(1,970,856)
Cash and Cash Equivalents - Beginning of Year	678,104	2,648,960
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 940,067	$ 678,104
NONCASH ITEMS		
Property Additions through Capital Leases	$ -	$ 20,212
Property Additions through Long-Term Debt	$ 1,304,000	$ -

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of the Greater Twin Cities (the Agency) is one of the largest affiliates of Big Brothers Big Sisters of America and the largest and longest operating mentoring program in the country. The Agency was incorporated in 2002 under the laws of the state of Minnesota as a nonprofit organization by consolidating Big Brothers Big Sisters of Greater Minneapolis and Big Brothers Big Sisters of Greater St. Paul, Inc., which had been serving the Twin Cities metro area since 1920. The Agency's mission is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever.

The primary activity of the Agency is the creation of long-term friendships for children between the ages of 7 and 21 with committed, responsible adult volunteers to promote healthy child development. New mentoring relationships are made in the community-based program with youth ages 8 to 12 and in the site-based program with youth ages 7 to 18 (as littles and as high school mentors). The Agency is devoted to providing a caring adult in the life of every child who needs or wants one, through the framework of our core values of relationships, inclusion, personal growth, safety, and stewardship to:

- Build and support strong healthy relationships with community partners and for all mentors and youth.
- Maintain a culture that is inclusive of all youth, volunteers, and staff.
- Provide opportunities and experiences for all youth, volunteers, and staff that lead to enriching their lives.
- Make informed decisions and provide tools to ensure the safety of our staff and the youth and volunteers we serve.
- Use resources entrusted to us to create and support positive and strong mentoring relationships.

Financial Statement Presentation

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

Net Assets Without Donor Restrictions – Net assets over which the board of directors has discretionary control. The board each year determines an appropriate balance given market conditions, operating requirements and Agency initiatives, and is held as reserve for future use. The Board Designated Better Futures Campaign net assets at the end of 2019 and 2018 are related to funds raised through the Better Futures Campaign that were gifts without donor restrictions, a drive to raise funds to enrich services to children, mentor more children, and build the infrastructure to sustain the agency's ability to further its mission in serving children. Funds may be used upon approval of the board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor-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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Nonoperating activities represent contributions that are perpetual in nature, realized and unrealized investment gains or losses, gains or losses on the disposal of fixed assets and the change in Community Foundation Holdings.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

The Agency reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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. Contributions of long-lived assets are reported as restricted support only if restricted by the donor.

During the year ended September 30, 2016, the Agency entered into an agreement with a third party whereby the third party will accept donated goods and sell them on behalf of the Agency at certain locations across the Twin Cities. Revenue related to this contract has been included in contribution revenue on the statements of activities. Expenses of the third party to perform these services have been included in fundraising expense on the statement of activities and are included in professional fees on the statement of functional expenses. See further explanation of the third-party agreement in functional expenses note on page 12. The Agency received varying prices for the goods ranging from $0.016 to $0.035 per pound or $0.020 per item, depending on the classification of the goods. Subsequent to year-end, the Agency ended their contract with the third party as of December 31, 2019.

Cash and Cash Equivalents

Cash and cash equivalents of the Agency are maintained at a financial institution located in Minnesota. At times the account exceeds the federal deposit insurance limit of $250,000.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional pledges and grants are not included as support until such time as the conditions are substantially met. Pledges and grants that are expected to be collected within one year are recorded at their net realizable value. Pledges and grants that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. The Agency reserves for bad debts using the allowance method which is based on management judgment considering significant patterns of uncollectibility and historical information.

Investments and Fair Value Measurements

Investments in mutual funds are considered held for long term, and recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. Donated assets are recorded at fair value at the date of donation. The Agency records the change of ownership of securities on the day a trade is made. Investment income or loss and unrealized gains or losses are included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements.

The Agency categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Agency has the ability to access. Level 1 assets of the Agency include certificates of deposit and mutual funds.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (Continued)

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability. Securities valued using Level 3 inputs include funds held on behalf of the Agency at a community foundation.

Property and Equipment

Leasehold improvements, equipment, and furniture and fixtures are stated at cost (capitalization threshold of $2,000) at the date of acquisition or fair market value at date of donation in the case of donated property. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions. Property and equipment is depreciated over the lives of the assets using the straight-line method. Furniture and equipment is depreciated over an estimated life of five years and computers and peripherals over an estimated life of three years. Leasehold improvements are amortized over the shorter of the life of the lease or the life of the asset. Building is depreciated over an estimated useful life of 39 years.

Advertising and Marketing

Advertising and marketing costs are expensed when incurred.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions, time and effort, and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management including allocations based on salaries, FTE or other direct costs. Fundraising expense on the statements of functional expenses includes $205,541 and $855,512 of third-party fundraising expense for the years ended September 30, 2019 and 2018, respectively. The table below details the impact of the third-party fundraising expenses on the 2019 and 2018 functional allocation of expenses including and excluding this amount.

	2019		2018	
	Total Expenses	Expenses Excluding Third-Party Fundraising	Total Expenses	Expenses Excluding Third-Party Fundraising
Program	60 %	62 %	55 %	64 %
Management and General	19	19	15	18
Fundraising	18	15	27	15
Volunteer Recruitment	3	3	3	3

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Agency is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and similar Minnesota Statutes. The Agency is not considered a private foundation and contributions to the Agency are considered tax deductible.

The Agency follows the standard for accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The Agency files as a tax-exempt organization.

Revenue Recognition

Contributions, including unconditional promises to give, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met.

Donated Services and Assets

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

Subsequent Events

In preparing these financial statements, the Agency has evaluated events and transactions for potential recognition or disclosure through February 20, 2020, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Agency has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

NOTE 2 PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable and revenue in the appropriate net asset category.

Unconditional promises to give at September 30 are expected to be realized in the following periods:

	2019	2018
Pledges Receivable	$ 853,667	$ 476,431
Allowance for Uncollectible Pledges	(6,825)	-
Net Present Value Discount at 5%	(12,627)	-
Total	$ 834,215	$ 476,431
Amounts Due In:		
Less Than One Year	$ 664,334	$ 476,431
One to Five Years	189,333	-
Total	$ 853,667	$ 476,431

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

	2019	2018
Investments:		
Short-Term Investments:		
Treasury Bills	$ 1,026,298	$ 1,994,644
Long-Term Investments:		
Stock Mutual Funds	1,179,744	1,140,149
Bond Mutual Funds	616,796	649,764
Real Estate Mutual Funds	238,938	205,022
Cash Held for Investment Purposes	18,921	21,644
Total Long-Term Investments	2,054,399	2,016,579
Total Investments	$ 3,080,697	$ 4,011,223

NOTE 4 FAIR VALUE MEASUREMENTS

The following tables present the fair value hierarchy for the balances of the assets of the Agency measured at fair value on a recurring basis as of September 30:

	2019			
	Level 1	Level 2	Level 3	Total
Treasury Bills	$ 1,026,298	$ -	$ -	$ 1,026,298
Stock Mutual Funds	1,179,744	-	-	1,179,744
Bond Mutual Funds	616,796	-	-	616,796
Real Estate Mutual Funds	238,938	-	-	238,938
Community Foundation Holdings	-	-	-	-
Total	$ 3,061,776	$ -	$ -	$ 3,061,776

	2018			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ 1,994,644	$ -	$ -	$ 1,994,644
Stock Mutual Funds	1,140,149	-	-	1,140,149
Bond Mutual Funds	649,764	-	-	649,764
Real Estate Mutual Funds	205,022	-	-	205,022
Community Foundation Holdings	-	-	12,347	12,347
Total	$ 3,989,579	$ -	$ 12,347	$ 4,001,926

Level 3 Assets and Liabilities

The following tables provide a summary of changes in fair value of the Agency's Level 3 financial assets for the years ended September 30:

	2019		
	Hedge Fund of Funds	Community Fund Holdings	Total
Balance - Beginning of Year	$ -	$ 12,347	$ 12,347
Withdrawals	-	(12,347)	(12,347)
Change in Value of Community Foundation Holdings	-	-	-
Balance - End of Year	$ -	$ -	$ -

	2018		
	Hedge Fund of Funds	Community Fund Holdings	Total
Balance - Beginning of Year	$ 1,053	$ 12,226	$ 13,279
Withdrawals	(1,053)	-	(1,053)
Change in Value of Community Foundation Holdings	-	121	121
Balance - End of Year	$ -	$ 12,347	$ 12,347

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

	2019	2018
Leasehold Improvements	$ 73,432	$ 73,432
Equipment	336,767	372,748
Building	1,759,141	-
Furniture and Fixtures	261,714	261,714
Total Property and Equipment	2,431,054	707,894
Less: Accumulated Depreciation	(563,689)	(552,804)
Property and Equipment - Net	$ 1,867,365	$ 155,090

NOTE 6 LINE OF CREDIT

The Agency has a $300,000 line of credit agreement with a financial institution. The line expires July 20, 2020 and is subject to renewal on an annual basis. The line requires interest at prime rate plus 0.5% with a floor of 4.5%. The Agency's assets are security for any principal amounts borrowed under the agreement. At September 30, 2019 and 2018, there was $-0- outstanding on the line of credit.

NOTE 7 LONG-TERM DEBT

During 2019, the Agency purchased a building, which was funded through issuance of a mortgage in the amount of $1,304,000, issued at closing on April 11, 2019, with a local bank. The mortgage has a fixed interest rate of 5.62%. Monthly interest-only payments started May 3, 2019. Final payment of the full mortgage principal and last interest payment is due April 3, 2021. The remaining purchase costs were paid in cash at closing.

NOTE 8 CAPITAL LEASE

The Agency entered into new capital lease agreements for a postage machine and two copiers during 2018. The cost of the equipment was $20,212 as of September 30, 2019 and 2018. The accumulated depreciation as of September 30, 2019 and 2018 is $6,102 and $1,640, respectively. The following is a schedule of future minimum payments required under the leases:

Year Ending September 30,	Amount
2020	$ 5,341
2021	4,281
2022	3,928
2023	2,621
Total Minimum Lease Payments	16,171
Less: Amount Representing Interest	1,665
Present Value of Minimum Lease Payments	14,506
Less: Current Capital Lease Obligation	4,487
Net Long-Term Capital Lease Obligation	$ 10,019

NOTE 9 OPERATING LEASES

The Agency leases its office space under an operating lease which requires a monthly base rent, plus real estate taxes and operating expenses. The original lease expired in November 2008. In October 2007, the lease was amended to extend maturity to November 2016. In October 2013, the Agency again amended its lease to extend maturity to November 2020. Monthly base rent under the lease ranges from $13,526 to $15,029.

For the years ended September 30, rental expenses were as follows:

	2019	2018
Base Rent Paid on a Straight-Line Basis	$ 188,352	$ 181,887
Real Estate Taxes and Operating Expenses	142,473	141,871
Other Equipment Lease Expense	600	600
Total	$ 331,425	$ 324,358

The future payments on the leases as of September 30, 2019 are as follows:

Year Ending September 30,	Amount
2020	$ 323,518
2021	54,103
Total	$ 377,621

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at September 30:

	2019	2018
Subject to Expenditure for Specified Purpose:		
Program Restricted	$ 447,399	$ 641,713
Time Restricted	225,548	305,000
Endowment Earnings	23,133	21,958
Total	696,080	968,671
Endowments:		
Scholarships	21,740	21,740
Memorial Funds	40,534	37,234
Other	16,897	5,200
Total	79,171	64,174
Community Foundation Holdings	-	12,347
Total Net Assets With Donor Restrictions	$ 775,251	$ 1,045,192

Net assets released from restrictions were released for the following uses during the years ended September 30:

	2019	2018
Program Restricted	$ 376,748	$ 569,389
Time Restricted	1,226,807	401,130
Total Assets Released from Restriction	$ 1,603,555	$ 970,519

NOTE 11 ENDOWMENT

The Agency's endowment consists of six individual funds established for a variety of purposes. The endowment includes perpetual endowments only. Net assets associated with endowment funds, including funds designated by the board of directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

Application of Relevant Law

The Agency follows the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which governs the use of donor-restricted endowment funds for a nonprofit organization.

NOTE 11 ENDOWMENT (CONTINUED)

Application of Relevant Law (Continued)

The board of directors of the Agency has applied UPMIFA such that, absent donor stipulations to the contrary, donor-restricted endowment fund gifts are preserved at the fair value as of the date of gift. As a result of this application, the Agency classifies as net assets with donor restrictions (1) the original value of the gifts to the perpetual endowment, (2) the value of subsequent gifts to the perpetual endowment, (3) accumulations made pursuant to the direction of the applicable donor gift investment at the time the accumulation is added to the fund, and (4) the portion of the investment return added to the funds to maintain its purchasing power.

Endowment net asset composition by type and changes in endowment net assets for the years ended September 30 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	$ -	$ 79,171	$ 79,171
Accumulated Investment Gains	-	23,133	23,133
Total	$ -	$ 102,304	$ 102,304

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount and Amounts Required to be Maintained in Perpetuity by Donor	$ -	$ 64,174	$ 64,174
Accumulated Investment Gains	-	21,958	21,958
Total	$ -	$ 86,132	$ 86,132

The following is a summary of endowment funds subject to UPMIFA for the years ended September 30:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments - Beginning of Year	$ -	$ 86,132	$ 86,132
Investment Income	-	2,175	2,175
Contributions	-	14,997	14,997
Appropriations	-	(1,000)	(1,000)
Endowment Investments - End of Year	$ -	$ 102,304	$ 102,304

NOTE 11 ENDOWMENT (CONTINUED)

Application of Relevant Law (Continued)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments - Beginning of Year	$ -	$ 84,537	$ 84,537
Investment Income	-	2,845	2,845
Contributions	-	750	750
Appropriations	-	(2,000)	(2,000)
Endowment Investments - End of Year	$ -	$ 86,132	$ 86,132

Fund with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the Agency to retain as a fund of perpetual duration. Deficiencies of this nature are reported in net assets with donor restrictions. There were deficiencies of $-0- as of September 30, 2019 and 2018.

Investment Objectives and Strategies

The Agency has adopted an investment policy to provide guidelines for investing endowment assets. Under this policy, the endowment assets are invested in a manner that is intended to manage for consistent total returns with a long-term growth objective, manage with a moderate level of risk, and maintain sufficient diversification of assets. To achieve these objectives, the Agency follows an asset diversification plan, sets performance benchmarks for investments managers, and has established various asset quality and limitations thresholds. An investment advisory committee regularly reviews investment diversification and performance.

NOTE 12 RETIREMENT SAVINGS PLAN

The Agency has a 403(b) retirement savings plan covering all eligible employees. The Agency makes discretionary contributions to the plan. Pension expense was $59,202 and $54,274 for the years ended September 30, 2019 and 2018, respectively.

NOTE 13 CONCENTRATIONS

The Agency received 60% and 30% of its operating support from two donors and one donor for the years ended September 30, 2019 and 2018, respectively. One of these donors is the employer of a member of the board.

The Agency's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2019 and 2018, 75% and 81% of pledges, are from two donors.

The Agency's government grants receivables are from a limited number of governmental agencies.

NOTE 14 LEASE INCOME

As part of the purchase of a new building in 2019, the Agency took over two lease agreements that existed in the building with terms through March 2020. The leases require monthly rental payments plus operating expenses. Rental income for the years ended September 30, 2019 and 2018 was $65,739 and $-0-, respectively. Future cash receipts of lease income are expected to be $49,231 for the year ending September 30, 2020.

Included in the statements of functional expenses are building related costs of $90,616 and $-0- for the years ended September 30, 2019 and 2018, respectively. As the Agency has not yet occupied the building, these have been classified as management and general costs.

NOTE 15 IN-KIND DONATIONS AND SERVICES

The Agency records various types of in-kind support, including certain professional services, materials, and equipment. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses or increase in property and equipment.

NOTE 15 IN-KIND DONATIONS AND SERVICES (CONTINUED)

The Agency has recognized contributions for the following, with like amounts included in expenses or property and equipment for the years ended September 30:

	2019	2018
In-Kind Donations and Services:		
Event Tickets	$ 28,665	$ 97,438
B/C Donations	72	216
Gift Certificates	10,155	1,625
Services	6,672	9,363
Food and Beverage	1,742	-
Supplies	3,498	5,572
Other	-	1,900
Total In-Kind Donations and Services	$ 50,804	$ 116,114
In-Kind Expense Allocation:		
Program Services	$ 44,231	$ 106,790
Management and General	4,284	2,986
Fundraising	2,289	6,338
Total In-Kind Expense Allocation	$ 50,804	$ 116,114

NOTE 16 VOLUNTEER SERVICES

The Agency receives a significant amount of services from many unpaid volunteers who support the Agency’s primary programmatic activities and supporting services. No amounts have been recognized in the accompanying statements of activities because the criteria for recognition of such volunteer effort have not been satisfied. However, volunteers are integral in carrying out the mission of the Agency.

NOTE 17 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America (BBBSA) were $43,074 and $25,111 during the years ended September 30, 2019 and 2018, respectively. For the years ended September 30, 2019 and 2018, the Agency received funding from BBBSA of $27,421 and $121,975, respectively, in the form of pass-through contributions. Pass-through contribution funding is awarded annually from BBBSA to various Big Brothers Big Sisters agencies across the nation.

Board members contributed $217,383 and $198,016 during the years ended September 30, 2019 and 2018, respectively. Also see Note 13.

NOTE 18 SUBSEQUENT EVENTS

Subsequent to year-end, the Agency received a contribution of $1,860,000 from one donor. Additionally, the contract with the third-party fundraiser has ended as of December 31, 2019.

NOTE 19 LIQUIDITY AND AVAILABILITY

The Agency regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of its liquidity management, the governing body of the Agency can authorize liquidation of investments as needed to meet operating expenses in excess of cash provided by operating activities. See Notes 3, 4, 10, and 11 for further information about the Agency's investment portfolio, net assets, and endowment funds.

Cash and Equivalents	$ 940,067
Investments	3,080,697
Grants Receivable	45,875
Pledges Receivable	659,976
Total Financial Assets	4,726,615
Donor Restricted Scholarship Fund	(188,798)
Donor Restricted Better Futures Campaign	(7,500)
Donor Restricted Capital Campaign	(5,548)
Donor Restricted Other Time and Purpose	(469,234)
Donor Restricted Perpetual Endowment	(79,171)
Board Designated for Better Futures Campaign	(1,217,116)
Total Financial Assets Not Available for General Operating Support	(1,967,367)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 2,759,248

To help manage unanticipated liquidity needs, the Agency also has a committed line of credit in the amount of $300,000 which it could draw upon (see Note 6).