

**BIG BROTHERS BIG SISTERS
OF THE GREATER TWIN CITIES**

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

| | |
|--|----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| FINANCIAL STATEMENTS | |
| BALANCE SHEETS | 3 |
| STATEMENTS OF ACTIVITIES | 4 |
| STATEMENTS OF FUNCTIONAL EXPENSES | 6 |
| STATEMENTS OF CASH FLOWS | 8 |
| NOTES TO FINANCIAL STATEMENTS | 9 |



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, 2020 and 2019, 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, 2020 and 2019, 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
June 17, 2021

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2020 AND 2019**

| | 2020 | 2019 |
|---|--------------|--------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 945,226 | \$ 940,067 |
| Construction Escrow Deposits | 715,407 | - |
| Short-Term Investments | 494,464 | 1,026,298 |
| Grants Receivable | 82,331 | 45,875 |
| Pledges Receivable, Net | 280,243 | 659,976 |
| Prepaid Expenses and Other | 181,041 | 138,954 |
| Total Current Assets | 2,698,712 | 2,811,170 |
| OTHER ASSETS | | |
| Investments | 2,712,717 | 2,054,399 |
| Property and Equipment, Net | 1,963,558 | 1,867,365 |
| Unemployment Services Trust | 40,850 | 48,463 |
| Pledges Receivable, Net | 99,619 | 174,239 |
| Security Deposit | 5,000 | 5,000 |
| Total Other Assets | 4,821,744 | 4,149,466 |
| Total Assets | \$ 7,520,456 | \$ 6,960,636 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 77,973 | \$ 84,512 |
| Accrued Expenses | 229,538 | 291,126 |
| Deferred Rent and Lease Incentive Liability | 1,756 | 11,847 |
| Deferred Revenue | 38,207 | 10,849 |
| Current Portion of Capital Lease Obligation | 3,804 | 4,487 |
| Current Portion of Long-Term Debt | 1,304,000 | - |
| Total Current Liabilities | 1,655,278 | 402,821 |
| LONG-TERM LIABILITIES | | |
| Long-Term Debt | - | 1,304,000 |
| Long-Term Portion of Capital Lease Obligation | 6,216 | 10,019 |
| Paycheck Protection Program Loan | 595,000 | - |
| Total Long-Term Liabilities | 601,216 | 1,314,019 |
| Total Liabilities | 2,256,494 | 1,716,840 |
| NET ASSETS | | |
| Without Donor Restrictions: | | |
| Undesignated | 3,052,395 | 3,251,429 |
| Board-Designated - Better Futures Campaign | 1,217,116 | 1,217,116 |
| Total Net Assets Without Donor Restrictions | 4,269,511 | 4,468,545 |
| With Donor Restrictions | 994,451 | 775,251 |
| Total Net Assets | 5,263,962 | 5,243,796 |
| Total Liabilities and Net Assets | \$ 7,520,456 | \$ 6,960,636 |

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

| | 2020 | | Total |
|---|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| SUPPORT AND REVENUE | | | |
| Support: | | | |
| Contributions | \$ 3,394,310 | \$ 300,507 | \$ 3,694,817 |
| Contributions Capital Campaign | - | 527,437 | 527,437 |
| Contributions In-Kind | 65,272 | - | 65,272 |
| Special Event Revenue | 46,794 | - | 46,794 |
| National Affiliation Pass-Through Contributions | 38,115 | - | 38,115 |
| United Way - Designated Gifts | 28,876 | - | 28,876 |
| Total Support | <u>3,573,367</u> | <u>827,944</u> | <u>4,401,311</u> |
| Used Goods Transactions: | | | |
| Third-Party Fundraising Revenue | 93,086 | - | 93,086 |
| Clothing and Other Goods Sales | 595,015 | - | 595,015 |
| Less: Cost of Goods Sold | <u>(566,536)</u> | <u>-</u> | <u>(566,536)</u> |
| Total Used Goods Transactions | 121,565 | - | 121,565 |
| Other Revenue: | | | |
| Grants | 223,727 | - | 223,727 |
| Interest and Dividend Income | 34,471 | - | 34,471 |
| Miscellaneous | 72,474 | - | 72,474 |
| Total Other Revenue | <u>330,672</u> | <u>-</u> | <u>330,672</u> |
| Total Support and Revenue before Releases | 4,025,604 | 827,944 | 4,853,548 |
| Net Assets Released from Restrictions - Capital Campaign | 238,606 | (238,606) | - |
| Net Assets Released from Restrictions - Other Time and Purpose Restricted | <u>373,640</u> | <u>(373,640)</u> | <u>-</u> |
| Total Support and Revenue | 4,637,850 | 215,698 | 4,853,548 |
| EXPENSES | | | |
| Program Services | 2,952,026 | - | 2,952,026 |
| Support Services: | | | |
| Management and General | 1,071,049 | - | 1,071,049 |
| Fundraising | 710,384 | - | 710,384 |
| Third-Party Fundraising Expense | 93,086 | - | 93,086 |
| Volunteer Recruitment | 88,349 | - | 88,349 |
| Total Expenses | <u>4,914,894</u> | <u>-</u> | <u>4,914,894</u> |
| CHANGE IN NET ASSETS FROM OPERATIONS | (277,044) | 215,698 | (61,346) |
| NONOPERATING CHANGE IN NET ASSETS | | | |
| Endowment Contributions | - | 3,502 | 3,502 |
| Unrealized Investment Gains | 51,099 | - | 51,099 |
| Realized Investment Gains | 26,911 | - | 26,911 |
| Change in Community Foundation Holdings | - | - | - |
| Total Nonoperating Change in Net Assets | <u>78,010</u> | <u>3,502</u> | <u>81,512</u> |
| CHANGE IN NET ASSETS | (199,034) | 219,200 | 20,166 |
| Net Assets - Beginning of Year | <u>4,468,545</u> | <u>775,251</u> | <u>5,243,796</u> |
| NET ASSETS - END OF YEAR | <u>\$ 4,269,511</u> | <u>\$ 994,451</u> | <u>\$ 5,263,962</u> |

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT 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 | <u>3,476,496</u> | <u>1,328,789</u> | <u>4,805,285</u> |
| 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 | <u>(3,375,576)</u> | <u>-</u> | <u>(3,375,576)</u> |
| 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 | <u>491,487</u> | <u>2,175</u> | <u>493,662</u> |
| 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 | <u>681,747</u> | <u>(681,747)</u> | <u>-</u> |
| 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 | <u>5,723,080</u> | <u>-</u> | <u>5,723,080</u> |
| 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 | <u>74,599</u> | <u>2,650</u> | <u>77,249</u> |
| CHANGE IN NET ASSETS | 255,236 | (269,941) | (14,705) |
| Net Assets - Beginning of Year | <u>4,213,309</u> | <u>1,045,192</u> | <u>5,258,501</u> |
| NET ASSETS - END OF YEAR | <u>\$ 4,468,545</u> | <u>\$ 775,251</u> | <u>\$ 5,243,796</u> |

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2020

| | Program Services | Support Services | | | Total Support Services | Total |
|-------------------------------------|---------------------|---------------------------|-------------------|--------------------------|---------------------------|---------------------|
| | | Management and General | Fundraising | Volunteer Recruitment | | |
| Salaries | \$ 1,664,491 | \$ 601,169 | \$ 374,636 | \$ 58,593 | \$ 1,034,398 | \$ 2,698,889 |
| Employee Benefits | 260,323 | 65,913 | 21,234 | 7,432 | 94,579 | 354,902 |
| Payroll Taxes | 116,060 | 41,376 | 27,152 | 4,229 | 72,757 | 188,817 |
| Total Payroll Expense | <u>2,040,874</u> | <u>708,458</u> | <u>423,022</u> | <u>70,254</u> | <u>1,201,734</u> | <u>3,242,608</u> |
| Professional Fees | 114,852 | 140,960 | 192,469 | 5 | 333,434 | 448,286 |
| Background Investigations | 47,604 | 4,045 | - | - | 4,045 | 51,649 |
| Supplies | 112,886 | 3,267 | 31,619 | 851 | 35,737 | 148,623 |
| Special Event Expenses | - | - | - | - | - | - |
| Postage and Delivery | 495 | 607 | 4,577 | - | 5,184 | 5,679 |
| Communications | 19,278 | 17,857 | 1,465 | 917 | 20,239 | 39,517 |
| Equipment and Maintenance | 39,215 | 13,286 | 8,724 | 194 | 22,204 | 61,419 |
| Occupancy | 279,459 | 58,200 | 44,039 | 8,795 | 111,034 | 390,493 |
| Advertising and Marketing | 2,023 | 3,369 | 2,578 | 1,312 | 7,259 | 9,282 |
| Printing and Publications | 384 | 2,652 | 15,145 | 75 | 17,872 | 18,256 |
| Local Travel and Meetings | 17,142 | 6,208 | 1,783 | 383 | 8,374 | 25,516 |
| Training, Seminars, and Conventions | 7,556 | 3,212 | 1,171 | 14 | 4,397 | 11,953 |
| Dues and Subscriptions | 35,391 | 24,223 | 20,426 | 99 | 44,748 | 80,139 |
| Scholarships | 11,250 | - | - | - | - | 11,250 |
| Interest | 43,226 | 17,775 | 11,755 | - | 29,530 | 72,756 |
| Insurance | 73,287 | 30,647 | 10,572 | 2,609 | 43,828 | 117,115 |
| Miscellaneous | 4,486 | 12,581 | 15,107 | 25 | 27,713 | 32,199 |
| National BBBS Dues | 32,189 | 5,019 | 5,600 | 1,198 | 11,817 | 44,006 |
| Total Expense Before Depreciation | <u>2,881,597</u> | <u>1,052,366</u> | <u>790,052</u> | <u>86,731</u> | <u>1,929,149</u> | <u>4,810,746</u> |
| Depreciation Expense | <u>70,429</u> | <u>18,683</u> | <u>13,418</u> | <u>1,618</u> | <u>33,719</u> | <u>104,148</u> |
| Total Expenses | <u>\$ 2,952,026</u> | <u>\$ 1,071,049</u> | <u>\$ 803,470</u> | <u>\$ 88,349</u> | <u>\$ 1,962,868</u> | <u>\$ 4,914,894</u> |
| Percent of Total Expenses | 60.1% | 21.8% | 16.3% | 1.8% | 39.9% | 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, 2019

| | Program Services | Support Services | | | Total Support Services | Total |
|-------------------------------------|---------------------|---------------------------|---------------------|--------------------------|---------------------------|---------------------|
| | | Management and General | Fundraising | Volunteer Recruitment | | |
| 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 | <u>2,503,358</u> | <u>617,750</u> | <u>504,869</u> | <u>129,535</u> | <u>1,252,154</u> | <u>3,755,512</u> |
| 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 | <u>3,396,988</u> | <u>1,035,543</u> | <u>1,036,204</u> | <u>173,151</u> | <u>2,244,898</u> | <u>5,641,886</u> |
| Depreciation Expense | <u>45,816</u> | <u>27,161</u> | <u>5,424</u> | <u>2,793</u> | <u>35,378</u> | <u>81,194</u> |
| Total Expenses | <u>\$ 3,442,804</u> | <u>\$ 1,062,704</u> | <u>\$ 1,041,628</u> | <u>\$ 175,944</u> | <u>\$ 2,280,276</u> | <u>\$ 5,723,080</u> |
| 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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019

| | 2020 | 2019 |
|---|-------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 20,166 | \$ (14,705) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 104,148 | 81,194 |
| Realized and Unrealized Gain on Investments | (78,010) | (74,599) |
| (Increase) Decrease in Community Foundation Holdings | - | 12,347 |
| Perpetual Endowment Contributions | (3,502) | (14,997) |
| (Increase) Decrease in Allowance for Uncollectible Pledges | 4,591 | (6,825) |
| (Increase) Decrease in Current Assets: | | |
| Escrow Deposits | (715,407) | - |
| Grants Receivable | (36,456) | 31,758 |
| Pledges Receivable | 449,762 | (350,959) |
| Prepaid Expenses and Accrued Interest | (42,087) | 16,009 |
| Increase (Decrease) in Current Liabilities: | | |
| Accounts Payable | (6,539) | 1,405 |
| Accrued Expenses | (61,588) | 100,972 |
| Deferred Revenue | 27,358 | 9,349 |
| Deferred Rent | (10,091) | (7,085) |
| Net Cash Provided (Used) by Operating Activities | (347,655) | (216,136) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Property and Equipment | (200,341) | (489,469) |
| Proceeds Received from Sale of Investments | 7,502,928 | 10,298,758 |
| Purchase of Investments | (7,543,789) | (9,342,096) |
| Net Cash Provided (Used) by Investing Activities | (241,202) | 467,193 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal Payments on Capital Lease Obligations | (4,486) | (4,091) |
| Proceeds from Paycheck Protection Program Loan | 595,000 | - |
| Perpetual Endowment Contributions | 3,502 | 14,997 |
| Net Cash Provided by Financing Activities | 594,016 | 10,906 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 5,159 | 261,963 |
| Cash and Cash Equivalents - Beginning of Year | 940,067 | 678,104 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 945,226 | \$ 940,067 |
| NONCASH ITEMS | | |
| Property Additions through Long-Term Debt | \$ - | \$ 1,304,000 |

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The mission of Big Brothers Big Sisters of the Greater Twin Cities (BBBS) is to create and support mentoring relationships that ignite the power and promise of youth. BBBS is a youth development organization founded in 1920 that creates and supports high quality, evidence-based youth mentoring programs in Minneapolis-St. Paul and surrounding communities. One of the 10 largest U.S. affiliates of Big Brothers Big Sisters agencies in the nation, and the largest mentoring organization in Minnesota, BBBS Twin Cities is a separate 501(c)(3) that raises its revenue locally and creates and implements Twin Cities-specific programming as well as the BBBS mentoring model.

The primary activity of the agency is to create and support mentoring relationships between young people and volunteer mentors that will support them in setting and pursuing their own goals, including social and emotional growth and healthy youth development. In pursuing the vision that all youth achieve their full potential, BBBS partners with young people, their families and volunteer mentors, as well as communities, businesses, civic groups, and community-based organizations to implement youth-centric programs and initiatives. Key programs include 1:1 mentoring programming, operated in both community, school and workplace settings; Free Arts programming that offers mentoring and arts-based expression and creative learning in partnership with community-based organizations and schools; and innovative programs offering career and post-secondary readiness skills development and access for teens and young adults.

Justice, equity, diversity, and inclusion (JEDI) are central to the mission and values of the organization, and BBBS strives to implement these ideals across all programming. BBBS is committed to learning and taking a nondiscriminatory, anti-racist, and anti-bias approach, and to cultivating a safe environment where all individuals feel equally respected and valued.

The following values are integrated into everything BBBS does:

- Safety of youth, volunteers, and staff
- Ongoing commitment to diversity, equity, and inclusion
- Support for life-changing mentor relationships
- Continuous learning and improvement
- Efficient and effective stewardship of resources

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 BBBS 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 2020 and 2019 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 BBBS's ability to further its mission in serving children. Funds may be used upon approval of the board.

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

BBBS 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. Conditional pledges and contributions are not included as support until such time as the conditions are substantially met. As of September 30, 2020, BBBS had conditional gifts of approximately \$355,000 where conditions had not yet been met due to spending of allowable costs.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

During the year ended September 30, 2016, BBBS entered into an agreement with a third party whereby the third party will accept donated goods and sell them on behalf of BBBS 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. BBBS 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. BBBS ended their contract with the third party as of December 31, 2019.

Cash and Cash Equivalents

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

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. BBBS 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. BBBS 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.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and Fair Value Measurements (Continued)

BBBS 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 BBBS has the ability to access. Level 1 assets of BBBS 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.

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 BBBS 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.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$93,086 and \$205,541 of third-party fundraising expense for the years ended September 30, 2020 and 2019, respectively. The table below details the impact of the third-party fundraising expenses on the 2020 and 2019 functional allocation of expenses including and excluding this amount.

| | 2020 | | 2019 | |
|------------------------|----------------|--|----------------|--|
| | Total Expenses | Expenses Excluding Third-Party Fundraising | Total Expenses | Expenses Excluding Third-Party Fundraising |
| Program | 60 % | 61 % | 60 % | 62 % |
| Management and General | 22 | 22 | 19 | 19 |
| Fundraising | 16 | 15 | 18 | 15 |
| Volunteer Recruitment | 2 | 2 | 3 | 3 |

Tax Status

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

BBBS 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. BBBS 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.

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, BBBS has evaluated events and transactions for potential recognition or disclosure through June 17, 2021, the date the financial statements were available to be issued.

Change in Accounting Principle

In June 2018, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

BBBS's financial statements reflect the application of ASU 2018-08 guidance beginning in fiscal year 2019. The adoption of ASU 2018-08 did not impact BBBS's reported revenue.

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:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Pledges Receivable | \$ 388,419 | \$ 853,667 |
| Allowance for Uncollectible Pledges | (2,234) | (6,825) |
| Net Present Value Discount at 5% | (6,323) | (12,627) |
| Total | <u>\$ 379,862</u> | <u>\$ 834,215</u> |
| Amounts Due In: | | |
| Less Than One Year | \$ 280,243 | \$ 659,976 |
| One to Five Years | 99,619 | 174,239 |
| Total | <u>\$ 379,862</u> | <u>\$ 834,215</u> |

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

| | 2020 | 2019 |
|-----------------------------------|--------------|--------------|
| Investments: | | |
| Short-Term Investments: | | |
| Treasury Bills | \$ 494,464 | \$ 1,026,298 |
| Long-Term Investments: | | |
| Stock Mutual Funds | 1,039,165 | 1,179,744 |
| Bond Mutual Funds | 741,074 | 616,796 |
| Real Estate Mutual Funds | 367,992 | 238,938 |
| Cash Held for Investment Purposes | 564,486 | 18,921 |
| Total Long-Term Investments | 2,712,717 | 2,054,399 |
| Total Investments | \$ 3,207,181 | \$ 3,080,697 |

NOTE 4 FAIR VALUE MEASUREMENTS

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

| | 2020 | | | |
|--------------------------|--------------|---------|---------|--------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Treasury Bills | \$ 494,464 | \$ - | \$ - | \$ 494,464 |
| Stock Mutual Funds | 1,039,165 | - | - | 1,039,165 |
| Bond Mutual Funds | 741,074 | - | - | 741,074 |
| Real Estate Mutual Funds | 367,992 | - | - | 367,992 |
| Total | \$ 2,642,695 | \$ - | \$ - | \$ 2,642,695 |
| | | | | |
| | 2019 | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| Certificates of Deposit | \$ 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 |
| Total | \$ 3,061,776 | \$ - | \$ - | \$ 3,061,776 |

Level 3 Assets and Liabilities

The following tables provide a summary of changes in fair value of BBBS'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 | \$ - | \$ - | \$ - |

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at September 30:

| | 2020 | 2019 |
|--------------------------------|---------------------|---------------------|
| Leasehold Improvements | \$ 73,432 | \$ 73,432 |
| Equipment | 351,730 | 336,767 |
| Building | 1,702,813 | 1,759,141 |
| Furniture and Fixtures | 261,714 | 261,714 |
| Construction in Progress | 241,706 | - |
| Total Property and Equipment | <u>2,631,395</u> | <u>2,431,054</u> |
| Less: Accumulated Depreciation | <u>(667,837)</u> | <u>(563,689)</u> |
| Property and Equipment - Net | <u>\$ 1,963,558</u> | <u>\$ 1,867,365</u> |

Construction escrow deposits reflect deposits made by BBBS to an escrow account in advance of construction occurring. In addition, BBBS entered into a construction contract with a vendor to complete this construction at an estimated cost of \$1,591,380. BBBS expects the construction to occur during the year ended September 30, 2021.

NOTE 6 LINE OF CREDIT

BBBS had a \$300,000 line of credit agreement with a financial institution. The line expired July 20, 2020 but was renewed in August 2020, extending the maturity date to July 20, 2021. The line requires interest at prime rate plus 0.5% with a floor of 4.5%. BBBS's assets were security for any principal amounts borrowed under the agreement.

NOTE 7 LONG-TERM DEBT

During 2019, BBBS 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. BBBS paid this mortgage in full in March 2021.

In August 2020, BBBS entered into a draw note with an institution to finance the upcoming construction work occurring during fiscal year ending September 30, 2021. The draw note is for a maximum amount of \$1,256,000. No draws were made on this note as of September 30, 2020. When draws occur, interest only payments are required monthly until principal and interest payments of \$7,650 start on January 28, 2022. Monthly principal and interest payments continue until maturity on August 28, 2025 when a final payment of \$1,102,509 is due. The note will be secured by the underlying assets.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 7 LONG-TERM DEBT (CONTINUED)

In August 2020, BBBS entered into promissory note with a nonprofit to finance the upcoming construction work occurring in 2021. The note is for \$650,000, carries interest at 5.5% and is secured by the preceding draw note. Payments are interest only payments with principal payments due upon collection of outstanding pledges receivable and grants. Principal payments are expected over the term of the note in the amount of \$572,121 with the final \$77,879 due at maturity of August 31, 2023.

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

On April 14, 2020, BBBS received a loan in the amount of \$595,000 to fund payroll, rent, and utilities through the federal Paycheck Protection Program (PPP). The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The PPP loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if BBBS fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP loan is not forgiven, BBBS will be required to pay interest on the PPP loan at a rate of 1% per annum and principal and interest payments will be required through the maturity date in April 2022.

Subsequent to year-end, on February 17, 2021, BBBS received a second loan in the amount of \$450,000 to fund payroll, rent, and utilities through PPP. This PPP loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and has a term of five years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if BBBS fails to apply for forgiveness, within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is either 8 or 24 weeks and is the period that BBBS has to spend their PPP loan funds.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 9 CAPITAL LEASE

BBBS 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, 2020 and 2019. The accumulated depreciation as of September 30, 2020 and 2019 is \$10,564 and \$6,102, respectively. The following is a schedule of future minimum payments required under the leases:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|---|------------------------|
| 2021 | \$ 4,281 |
| 2022 | 3,982 |
| 2023 | <u>2,621</u> |
| Total Minimum Lease Payments | 10,884 |
| Less: Amount Representing Interest | <u>(864)</u> |
| Present Value of Minimum Lease Payments | 10,020 |
| Less: Current Capital Lease Obligation | <u>(3,804)</u> |
| Net Long-Term Capital Lease Obligation | <u><u>\$ 6,216</u></u> |

NOTE 10 OPERATING LEASES

BBBS 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, BBBS 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:

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|--------------------------|
| Base Rent Paid on a Straight-Line Basis | \$ 179,844 | \$ 188,352 |
| Real Estate Taxes and Operating Expenses | 143,074 | 142,473 |
| Other Equipment Lease Expense | 600 | 600 |
| Total | <u><u>\$ 323,518</u></u> | <u><u>\$ 331,425</u></u> |

The future payments on the leases as of September 30, 2020 are as follows:

| <u>Year Ending September 30,</u> | <u>Amount</u> |
|----------------------------------|---------------|
| 2021 | \$ 81,155 |

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

| | <u>2020</u> | <u>2019</u> |
|---|--------------------------|--------------------------|
| Subject to Expenditure for Specified Purpose: | | |
| Program Restricted | \$ 546,220 | \$ 447,399 |
| Time Restricted | 339,379 | 225,548 |
| Endowment Earnings | <u>26,179</u> | <u>23,133</u> |
| Total | 911,778 | 696,080 |
| Endowments: | | |
| Scholarships | 21,740 | 21,740 |
| Memorial Funds | 44,236 | 40,734 |
| Other | <u>16,697</u> | <u>16,697</u> |
| Total | <u>82,673</u> | <u>79,171</u> |
| Total Net Assets With Donor Restrictions | <u><u>\$ 994,451</u></u> | <u><u>\$ 775,251</u></u> |

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

| | <u>2020</u> | <u>2019</u> |
|--|--------------------------|----------------------------|
| Program Restricted | \$ 198,640 | \$ 376,748 |
| Time Restricted | <u>413,606</u> | <u>1,226,807</u> |
| Total Assets Released from Restriction | <u><u>\$ 612,246</u></u> | <u><u>\$ 1,603,555</u></u> |

NOTE 12 ENDOWMENT

BBBS'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

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

The board of directors of BBBS 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, BBBS 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.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 12 ENDOWMENT (CONTINUED)

Application of Relevant Law (Continued)

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

| | 2020 | | |
|--|-------------------------------|----------------------------|-------------------|
| | 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 | \$ - | \$ 82,673 | \$ 82,673 |
| Accumulated Investment Gains | - | 26,179 | 26,179 |
| Total | <u>\$ -</u> | <u>\$ 108,852</u> | <u>\$ 108,852</u> |
| | | | |
| | 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 | <u>\$ -</u> | <u>\$ 102,304</u> | <u>\$ 102,304</u> |

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

| | 2020 | | |
|-------------------------|-------------------------------|----------------------------|-------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment Investments - | | | |
| Beginning of Year | \$ - | \$ 102,304 | \$ 102,304 |
| Investment Income | - | 3,046 | 3,046 |
| Contributions | - | 3,502 | 3,502 |
| Appropriations | - | - | - |
| Endowment Investments - | | | |
| End of Year | <u>\$ -</u> | <u>\$ 108,852</u> | <u>\$ 108,852</u> |
| | | | |
| | 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 | <u>\$ -</u> | <u>\$ 102,304</u> | <u>\$ 102,304</u> |

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 12 ENDOWMENT (CONTINUED)

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 BBBS 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, 2020 and 2019.

Investment Objectives and Strategies

BBBS 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, BBBS 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 13 RETIREMENT SAVINGS PLAN

BBBS has a 403(b) retirement savings plan covering all eligible employees. BBBS makes discretionary contributions to the plan. Pension expense was \$60,322 and \$59,202 for the years ended September 30, 2020 and 2019, respectively.

NOTE 14 CONCENTRATIONS

BBBS received 64% and 60% of its operating support from two donors for the years ended September 30, 2020 and 2019, respectively. One of these donors is a related party.

BBBS's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2020, 72% of pledges are from three donors and as of September 30, 2019, 75% of pledges were from two donors.

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

NOTE 15 LEASE INCOME

As part of the purchase of a new building in 2019, BBBS 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, 2020 and 2019 was \$72,204 and \$65,739, respectively.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 16 IN-KIND DONATIONS AND SERVICES

BBBS 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.

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

| | 2020 | 2019 |
|--------------------------------------|-----------|-----------|
| In-Kind Donations and Services: | | |
| Event Tickets | \$ 12,495 | \$ 28,665 |
| B/C Donations | - | 72 |
| Gift Certificates | 2,805 | 10,155 |
| Services | 2,750 | 4,383 |
| Food and Beverage | 89 | 1,742 |
| Supplies | 13,928 | 3,498 |
| Building Materials | 26,873 | - |
| Grant Related Expenses | 1,469 | - |
| Legal | 213 | - |
| Venue Rental | 4,650 | - |
| Total In-Kind Donations and Services | \$ 65,272 | \$ 48,515 |
| In-Kind Expense Allocation: | | |
| Program Services | \$ 35,873 | \$ 44,231 |
| Management and General | 28,555 | 4,284 |
| Fundraising | 844 | - |
| Total In-Kind Expense Allocation | \$ 65,272 | \$ 48,515 |

NOTE 17 VOLUNTEER SERVICES

BBBS receives a significant amount of services from many unpaid volunteers who support BBBS'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 BBBS.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 18 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America (BBBSA) were \$60,981 and \$43,074 during the years ended September 30, 2020 and 2019, respectively. For the years ended September 30, 2020 and 2019, BBBS received funding from BBBSA of \$38,115 and \$27,421, 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 \$223,479 and \$217,383 during the years ended September 30, 2020 and 2019, respectively. Also see Note 14.

NOTE 19 LIQUIDITY AND AVAILABILITY

BBBS 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 BBBS can authorize liquidation of investments as needed to meet operating expenses in excess of cash provided by operating activities. See Notes 3, 4, 11, and 12 for further information about BBBS's investment portfolio, net assets, and endowment funds.

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Cash and Equivalents | \$ 945,226 | \$ 940,067 |
| Investments | 3,207,181 | 3,080,697 |
| Grants Receivable | 82,331 | 45,875 |
| Pledges Receivable | <u>280,243</u> | <u>659,976</u> |
| Total Financial Assets | 4,514,981 | 4,726,615 |
| Donor Restricted Scholarship Fund | (213,982) | (188,798) |
| Donor Restricted Better Futures Campaign | (5,000) | (7,500) |
| Donor Restricted Capital Campaign | (319,379) | (5,548) |
| Donor Restricted Other Time and Purpose | (373,415) | (469,234) |
| Donor Restricted Perpetual Endowment | (82,673) | (79,171) |
| Board Designated for Better Futures Campaign | <u>(1,217,116)</u> | <u>(1,217,116)</u> |
| Total Financial Assets Not Available for General Operating Support | <u>(2,211,565)</u> | <u>(1,967,367)</u> |
| Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | <u>\$ 2,303,416</u> | <u>\$ 2,759,248</u> |

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

