

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020



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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, 2021 and 2020, 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, 2021 and 2020, 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 24, 2022

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 3,066,016	\$ 945,226
Construction Escrow Deposits	-	715,407
Short-Term Investments	-	494,464
Grants Receivable	65,547	82,331
Pledges Receivable, Net	261,386	280,243
Prepaid Expenses and Other	77,705	181,041
Total Current Assets	3,470,654	2,698,712
OTHER ASSETS		
Investments	3,671,126	2,712,717
Property and Equipment, Net	4,356,563	1,963,558
Unemployment Services Trust	32,960	40,850
Pledges Receivable, Net	61,292	99,619
Security Deposit	-	5,000
Total Other Assets	8,121,941	4,821,744
Total Assets	\$ 11,592,595	\$ 7,520,456
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 37,636	\$ 77,973
Accrued Expenses	254,420	229,538
Deferred Rent and Lease Incentive Liability	-	1,756
Deferred Revenue	-	38,207
Current Portion of Capital Lease Obligation	6,907	3,804
Current Portion of Long-Term Debt	1,205,128	1,304,000
Total Current Liabilities	1,504,091	1,655,278
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	31,402	6,216
Paycheck Protection Program Loan	450,000	595,000
Total Long-Term Liabilities	481,402	601,216
Total Liabilities	1,985,493	2,256,494
NET ASSETS		
Without Donor Restrictions:		
Undesignated	6,234,948	3,052,395
Board-Designated - Better Futures Campaign	1,217,116	1,217,116
Board-Designated - Building Maintenance	1,500,000	-
Total Net Assets Without Donor Restrictions	8,952,064	4,269,511
With Donor Restrictions	655,038	994,451
Total Net Assets	9,607,102	5,263,962
Total Liabilities and Net Assets	\$ 11,592,595	\$ 7,520,456

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 6,888,298	\$ 202,082	\$ 7,090,380
Contributions Capital Campaign	-	9,000	9,000
Contributions In-Kind	47,897	-	47,897
Special Event Revenue	472,312	-	472,312
National Affiliation Pass-Through Contributions	86,866	-	86,866
United Way - Designated Gifts	12,008	-	12,008
Total Support	<u>7,507,381</u>	<u>211,082</u>	<u>7,718,463</u>
Used Goods Transactions:			
Third-Party Fundraising Revenue	-	-	-
Clothing and Other Goods Sales	-	-	-
Less: Cost of Goods Sold	-	-	-
Total Used Goods Transactions	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenue:			
Grants	319,471	-	319,471
Loan Forgiveness Income	595,000	-	595,000
Interest and Dividend Income	23,961	-	23,961
Miscellaneous	(7,232)	-	(7,232)
Total Other Revenue	<u>931,200</u>	<u>-</u>	<u>931,200</u>
Total Support and Revenue before Releases	8,438,581	211,082	8,649,663
Net Assets Released from Restrictions - Capital Campaign	328,894	(328,894)	-
Net Assets Released from Restrictions - Other Time and Purpose Restricted	<u>264,594</u>	<u>(264,594)</u>	<u>-</u>
Total Support and Revenue	9,032,069	(382,406)	8,649,663
EXPENSES			
Program Services	3,011,358	-	3,011,358
Support Services:			
Management and General	679,859	-	679,859
Fundraising	972,325	-	972,325
Volunteer Recruitment	84,152	-	84,152
Total Expenses	<u>4,747,694</u>	<u>-</u>	<u>4,747,694</u>
CHANGE IN NET ASSETS FROM OPERATIONS	4,284,375	(382,406)	3,901,969
NONOPERATING CHANGE IN NET ASSETS			
Endowment Contributions	-	5,138	5,138
Unrealized Investment Gains	365,808	36,729	402,537
Realized Investment Gains	32,370	1,126	33,496
Total Nonoperating Change in Net Assets	<u>398,178</u>	<u>42,993</u>	<u>441,171</u>
CHANGE IN NET ASSETS	4,682,553	(339,413)	4,343,140
Net Assets - Beginning of Year	<u>4,269,511</u>	<u>994,451</u>	<u>5,263,962</u>
NET ASSETS - END OF YEAR	<u>\$ 8,952,064</u>	<u>\$ 655,038</u>	<u>\$ 9,607,102</u>

See accompanying Notes to Financial Statements.

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

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
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
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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2021**

	Program Services	Support Services			Total Support Services	Total
		Management and General	Fundraising	Volunteer Recruitment		
Salaries	\$ 1,589,344	\$ 291,358	\$ 459,017	\$ 49,420	\$ 799,795	\$ 2,389,139
Employee Benefits	242,783	32,762	37,438	7,384	77,584	320,367
Payroll Taxes	106,672	18,562	31,786	3,551	53,899	160,571
Total Payroll Expense	<u>1,938,799</u>	<u>342,682</u>	<u>528,241</u>	<u>60,355</u>	<u>931,278</u>	<u>2,870,077</u>
Professional Fees	122,846	235,780	151,637	1,562	388,979	511,825
Background Investigations	33,534	3,749	-	-	3,749	37,283
Supplies	176,531	3,525	71,755	133	75,413	251,944
Postage and Delivery	2,687	135	12,699	-	12,834	15,521
Communications	28,511	2,358	4,927	869	8,154	36,665
Equipment and Maintenance	60,643	6,571	10,679	1,537	18,787	79,430
Occupancy	136,889	14,257	27,431	4,192	45,880	182,769
Advertising and Marketing	187	249	11,097	426	11,772	11,959
Printing and Publications	962	770	24,381	12	25,163	26,125
Local Travel and Meetings	3,806	1,768	2,280	25	4,073	7,879
Training, Seminars, and Conventions	8,914	1,960	840	1,500	4,300	13,214
Dues and Subscriptions	40,909	5,912	37,322	775	44,009	84,918
Scholarships	34,085	-	-	-	-	34,085
Interest	74,143	9,000	13,400	2,250	24,650	98,793
Insurance	92,746	18,197	16,562	2,768	37,527	130,273
Miscellaneous	2,245	4,650	13,817	-	18,467	20,712
National BBBS Dues	32,193	3,577	5,834	979	10,390	42,583
Total Expense Before Depreciation	<u>2,790,630</u>	<u>655,140</u>	<u>932,902</u>	<u>77,383</u>	<u>1,665,425</u>	<u>4,456,055</u>
Depreciation Expense	<u>220,728</u>	<u>24,719</u>	<u>39,423</u>	<u>6,769</u>	<u>70,911</u>	<u>291,639</u>
Total Expenses	<u>\$ 3,011,358</u>	<u>\$ 679,859</u>	<u>\$ 972,325</u>	<u>\$ 84,152</u>	<u>\$ 1,736,336</u>	<u>\$ 4,747,694</u>
Percent of Total Expenses	63.4%	14.3%	20.5%	1.8%	36.6%	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, 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
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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 4,343,140	\$ 20,166
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	291,639	104,148
Loan Forgiveness Income	(595,000)	-
Realized and Unrealized Gain on Investments	(436,033)	(78,010)
Loss on Disposal of Assets	11,842	-
Perpetual Endowment Contributions	(5,138)	(3,502)
(Increase) Decrease in Allowance for Uncollectible Pledges	193	4,591
(Increase) Decrease in Current Assets:		
Escrow Deposits	715,407	(715,407)
Grants Receivable	16,784	(36,456)
Pledges Receivable	56,991	449,762
Prepaid Expenses and Accrued Interest	103,336	(42,087)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(40,337)	(6,539)
Accrued Expenses	24,882	(61,588)
Deferred Revenue	(38,207)	27,358
Deferred Rent	(1,756)	(10,091)
Net Cash Provided (Used) by Operating Activities	4,452,743	(347,655)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(2,696,486)	(200,341)
Proceeds Received from Sale of Investments	33,096	7,502,928
Purchase of Investments	(53,118)	(7,543,789)
Net Cash Used by Investing Activities	(2,716,508)	(241,202)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	28,289	(4,486)
Principal Payments on Long-Term Debt	(98,872)	-
Proceeds from Paycheck Protection Program Loan	450,000	595,000
Perpetual Endowment Contributions	5,138	3,502
Net Cash Provided by Financing Activities	384,555	594,016
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,120,790	5,159
Cash and Cash Equivalents - Beginning of Year	945,226	940,067
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,066,016	\$ 945,226

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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, 2021 AND 2020

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 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. The Board-Designated Building Maintenance are related to funds set aside for maintenance of the building as items arise. Funds in both categories 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. BBBS has elected to present contributions with donor restrictions that are fulfilled in the same period within the net assets without donor restrictions class.

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.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021, BBBS had conditional gifts of approximately \$1,600,000 where conditions had not yet been met due to spending of allowable costs.

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, 2021 AND 2020

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 are depreciated over the lives of the assets using the straight-line method. Furniture and equipment are 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, 2021 AND 2020

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 \$-0- and \$93,086 of third-party fundraising expense for the years ended September 30, 2021 and 2020, respectively. The table below details the impact of the third-party fundraising expenses on the 2021 and 2020 functional allocation of expenses including and excluding this amount.

	2021		2020	
	Total Expenses	Expenses Excluding Third-Party Fundraising	Total Expenses	Expenses Excluding Third-Party Fundraising
Program	63 %	63 %	60 %	61 %
Management and General	14	14	22	22
Fundraising	20	20	16	15
Volunteer Recruitment	2	2	2	2

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, 2021 AND 2020

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 February 24, 2022, the date the financial statements were available to be issued.

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>2021</u>	<u>2020</u>
Pledges Receivable	\$ 325,961	\$ 388,419
Allowance for Uncollectible Pledges	(2,041)	(2,234)
Net Present Value Discount at 5%	(1,242)	(6,323)
Total	<u>\$ 322,678</u>	<u>\$ 379,862</u>
Amounts Due In:		
Less Than One Year	\$ 261,386	\$ 280,243
One to Five Years	61,292	99,619
Total	<u>\$ 322,678</u>	<u>\$ 379,862</u>

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Investments:		
Short-Term Investments:		
Treasury Bills	\$ -	\$ 494,464
Long-Term Investments:		
Stock Mutual Funds	1,421,284	1,039,165
Bond Mutual Funds	705,397	741,074
Real Estate Mutual Funds	483,736	367,992
Cash Held for Investment Purposes	1,060,709	564,486
Total Long-Term Investments	<u>3,671,126</u>	<u>2,712,717</u>
Total Investments	<u>\$ 3,671,126</u>	<u>\$ 3,207,181</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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:

	2021			
	Level 1	Level 2	Level 3	Total
Stock Mutual Funds	\$ 1,421,284	\$ -	\$ -	\$ 1,421,284
Bond Mutual Funds	705,397	-	-	705,397
Real Estate Mutual Funds	483,736	-	-	483,736
Total	\$ 2,610,417	\$ -	\$ -	\$ 2,610,417

	2020			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ 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

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2021	2020
Leasehold Improvements	\$ 73,432	\$ 73,432
Equipment	457,895	351,730
Building	1,702,813	1,702,813
Furniture and Fixtures	862,273	261,714
Construction in Progress	-	241,706
Building Improvements	2,203,047	-
Total Property and Equipment	5,299,460	2,631,395
Less: Accumulated Depreciation	(942,897)	(667,837)
Property and Equipment - Net	\$ 4,356,563	\$ 1,963,558

NOTE 6 LINE OF CREDIT

BBBS had a \$300,000 line of credit agreement with a financial institution. The line expires on July 20, 2022. The line requires interest at prime rate plus 0.5% with a floor of 3.5%. BBBS's assets were security for any principal amounts borrowed under the agreement.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 construction work that occurred during fiscal year ending September 30, 2021. The draw note is for a maximum amount of \$1,256,000. As of September 30, 2021 the unpaid principal balance was \$1,205,128. Monthly principal and interest payments of \$7,650 started on January 28, 2022 and will 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.

In August 2020, BBBS entered into promissory note with a nonprofit to finance the construction work that occurred 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. The note was paid in full in September 2021.

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). BBBS received full forgiveness of the loan on August 4, 2021. The SBA may review funding eligibility and use of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on BBBS' financial position.

Under the second round of Paycheck Protection Program funding, BBBS applied for and was approved for an additional \$450,000 loan. The loan was received on February 17, 2021. 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
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NOTE 9 CAPITAL LEASE

BBBS entered into capital lease agreements for a postage machine and two copiers during 2018. The cost of the equipment was \$20,212 as of September 30, 2021 and 2020. The accumulated depreciation as of September 30, 2021 and 2020 is \$14,240 and \$10,564, respectively.

BBBS entered into a capital lease agreement for a solar lease during 2021. The cost of the equipment was \$32,094 as of September 30, 2021. The accumulated depreciation as of September 30, 2021 is \$-0-.

The following is a schedule of future minimum payments required under the leases:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ 10,251
2023	7,575
2024	5,124
2025	5,302
2026	5,486
Thereafter	<u>13,578</u>
Total Minimum Lease Payments	47,316
Less: Amount Representing Interest	<u>(9,007)</u>
Present Value of Minimum Lease Payments	38,309
Less: Current Capital Lease Obligation	<u>(6,907)</u>
Net Long-Term Capital Lease Obligation	<u><u>\$ 31,402</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. The lease ended in November 2020.

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

	<u>2021</u>	<u>2020</u>
Base Rent Paid on a Straight-Line Basis	\$ 45,086	\$ 179,844
Real Estate Taxes and Operating Expenses	35,919	143,074
Other Equipment Lease Expense	150	600
Total	<u><u>\$ 81,155</u></u>	<u><u>\$ 323,518</u></u>

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specified Purpose:		
Program Restricted	\$ 521,624	\$ 546,220
Time Restricted	7,766	339,379
Endowment Earnings	37,837	26,179
Total	567,227	911,778
Endowments:		
Scholarships	21,740	21,740
Memorial Funds	44,236	44,236
Other	21,835	16,697
Total	87,811	82,673
Total Net Assets With Donor Restrictions	\$ 655,038	\$ 994,451

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

	2021	2020
Program Restricted	\$ 242,794	\$ 198,640
Time Restricted	350,694	413,606
Total Assets Released from Restriction	\$ 593,488	\$ 612,246

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, 2021 AND 2020

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:

	2021		
	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	\$ -	\$ 87,811	\$ 87,811
Accumulated Investment Gains	-	37,837	37,837
Total	<u>\$ -</u>	<u>\$ 125,648</u>	<u>\$ 125,648</u>
	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>

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments -			
Beginning of Year	\$ -	\$ 108,852	\$ 108,852
Investment Income	-	11,658	11,658
Contributions	-	5,138	5,138
Appropriations	-	-	-
Endowment Investments -			
End of Year	<u>\$ -</u>	<u>\$ 125,648</u>	<u>\$ 125,648</u>
	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>

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

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, 2021 and 2020.

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 \$40,671 and \$60,322 for the years ended September 30, 2021 and 2020, respectively.

NOTE 14 CONCENTRATIONS

BBBS received 47% and 64% of its operating support from two donors for the years ended September 30, 2021 and 2020, respectively.

BBBS's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2021, 66% of pledges are from two donors and as of September 30, 2020, 72% of pledges were from three donors.

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

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 15 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:

	2021	2020
In-Kind Donations and Services:		
Event Tickets	\$ 27,260	\$ 12,495
Gift Certificates	20,486	2,805
Services	29,887	2,750
Food and Beverage	7,508	89
Supplies	30,281	13,928
Building Materials	-	26,873
Grant Related Expenses	-	1,469
Legal	-	213
Venue Rental	-	4,650
Total In-Kind Donations and Services	\$ 115,422	\$ 65,272
In-Kind Expense Allocation:		
Program Services	\$ 47,897	\$ 35,873
Management and General	-	28,555
Fundraising	67,525	844
Total In-Kind Expense Allocation	\$ 115,422	\$ 65,272

NOTE 16 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, 2021 AND 2020

NOTE 17 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America (BBBSA) were \$56,683 and \$60,981 during the years ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, BBBS received funding from BBBSA of \$118,575 and \$38,115, 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 \$270,338 and \$223,479 during the years ended September 30, 2021 and 2020, respectively.

NOTE 18 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.

	2021	2020
Cash and Equivalents	\$ 3,066,016	\$ 945,226
Investments	3,671,126	3,207,181
Grants Receivable	65,547	82,331
Pledges Receivable	261,386	280,243
Total Financial Assets	<u>7,064,075</u>	<u>4,514,981</u>
Donor Restricted Scholarship Fund	(182,505)	(213,982)
Donor Restricted Better Futures Campaign	(5,000)	(5,000)
Donor Restricted Capital Campaign	(2,767)	(319,379)
Donor Restricted Other Time and Purpose	(376,955)	(373,415)
Donor Restricted Perpetual Endowment	(87,811)	(82,673)
Board Designated for Better Futures Campaign	(1,217,116)	(1,217,116)
Board Designated for Building Maintenance	<u>(1,500,000)</u>	<u>-</u>
Total Financial Assets Not Available for General Operating Support	<u>(3,372,154)</u>	<u>(2,211,565)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 3,691,921</u>	<u>\$ 2,303,416</u>

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