

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

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021



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**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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
Minneapolis, Minnesota

Report on the Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Greater Twin Cities as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of the Greater Twin Cities and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of the Greater Twin Cities ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters of the Greater Twin Cities internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of the Greater Twin Cities ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
March 2, 2023

**BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
BALANCE SHEETS
SEPTEMBER 30, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,766,986	\$ 3,066,016
Grants Receivable	69,440	65,547
Pledges Receivable, Net	427,794	261,386
Prepaid Expenses and Other	134,951	77,705
Total Current Assets	2,399,171	3,470,654
OTHER ASSETS		
Investments	11,137,308	3,671,126
Property and Equipment, Net	3,996,810	4,356,563
Unemployment Services Trust	-	32,960
Pledges Receivable, Net	-	61,292
Total Other Assets	15,134,118	8,121,941
Total Assets	\$ 17,533,289	\$ 11,592,595
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 43,762	\$ 37,636
Accrued Expenses	277,607	254,420
Current Portion of Capital Lease Obligation	6,005	6,907
Current Portion of Long-Term Debt	-	1,205,128
Total Current Liabilities	327,374	1,504,091
LONG-TERM LIABILITIES		
Long-Term Portion of Capital Lease Obligation	25,396	31,402
Paycheck Protection Program Loan	-	450,000
Total Long-Term Liabilities	25,396	481,402
Total Liabilities	352,770	1,985,493
NET ASSETS		
Without Donor Restrictions:		
Undesignated	13,572,841	6,234,948
Board-Designated - Better Futures Campaign	1,217,116	1,217,116
Board-Designated - Building Maintenance	1,500,000	1,500,000
Total Without Donor Restrictions	16,289,957	8,952,064
With Donor Restrictions	890,562	655,038
Total Net Assets	17,180,519	9,607,102
Total Liabilities and Net Assets	\$ 17,533,289	\$ 11,592,595

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2022

	2022		Total
	Without Donor Restrictions	With Donor Restrictions	
SUPPORT AND REVENUE			
Support:			
Contributions	\$ 11,217,607	\$ 541,251	\$ 11,758,858
Contributions In-Kind	116,729	-	116,729
Special Event Revenue	517,935	-	517,935
National Affiliation Pass-Through Contributions	88,143	-	88,143
United Way - Designated Gifts	7,517	-	7,517
Total Support	<u>11,947,931</u>	<u>541,251</u>	<u>12,489,182</u>
Other Revenue:			
Grants	455,756	-	455,756
Loan Forgiveness Income	450,000	-	450,000
Interest and Dividend Income	68,421	-	68,421
Miscellaneous	1,227	-	1,227
Total Other Revenue	<u>975,404</u>	<u>-</u>	<u>975,404</u>
Total Support and Revenue before Releases	12,923,335	541,251	13,464,586
Net Assets Released from Restrictions	<u>297,506</u>	<u>(297,506)</u>	<u>-</u>
Total Support and Revenue	13,220,841	243,745	13,464,586
EXPENSES			
Program Services	3,639,554	-	3,639,554
Support Services:			
Management and General	603,181	-	603,181
Fundraising	1,047,670	-	1,047,670
Volunteer Recruitment	49,380	-	49,380
Total Expenses	<u>5,339,785</u>	<u>-</u>	<u>5,339,785</u>
CHANGE IN NET ASSETS FROM OPERATIONS	7,881,056	243,745	8,124,801
NONOPERATING CHANGES IN NET ASSETS			
Endowment Contributions	-	3,107	3,107
Unrealized Investment Losses	(632,647)	(13,008)	(645,655)
Realized Investment Gains	89,484	1,680	91,164
Total Nonoperating Changes in Net Assets	<u>(543,163)</u>	<u>(8,221)</u>	<u>(551,384)</u>
CHANGE IN NET ASSETS	7,337,893	235,524	7,573,417
Net Assets - Beginning of Year	<u>8,952,064</u>	<u>655,038</u>	<u>9,607,102</u>
NET ASSETS - END OF YEAR	<u>\$ 16,289,957</u>	<u>\$ 890,562</u>	<u>\$ 17,180,519</u>

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>
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 CHANGES 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 Changes 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 FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 2022

	Support Services					Total
	Program Services	Management and General	Fundraising	Volunteer Recruitment	Total Support Services	
Salaries	\$ 1,832,660	\$ 344,646	\$ 523,539	\$ 26,663	\$ 894,848	\$ 2,727,508
Employee Benefits	236,189	29,918	50,229	3,408	83,555	319,744
Payroll Taxes	132,788	24,129	37,388	1,981	63,498	196,286
Total Payroll Expense	<u>2,201,637</u>	<u>398,693</u>	<u>611,156</u>	<u>32,052</u>	<u>1,041,901</u>	<u>3,243,538</u>
Professional Fees	231,015	102,272	104,004	1,382	207,659	438,674
Background Investigations	23,495	4,401	-	-	4,401	27,896
Supplies	207,330	1,997	87,413	195	89,606	296,936
Postage and Delivery	1,564	116	4,363	1,002	5,481	7,045
Communications	33,678	3,298	5,346	483	9,127	42,805
Equipment and Maintenance	47,045	5,441	23,617	737	29,794	76,839
Occupancy	62,042	7,093	11,981	888	19,962	82,004
Advertising and Marketing	734	1,510	18,305	93	19,907	20,641
Printing and Publications	3,279	1,127	25,885	1,433	28,445	31,724
Local Travel and Meetings	8,599	2,733	1,960	100	4,793	13,392
Training, Seminars, and Conventions	3,530	2,896	2,068	2,907	7,871	11,401
Dues and Subscriptions	22,813	4,312	17,438	678	22,428	45,241
Scholarships	22,802	-	-	-	-	22,802
Interest	27,157	4,645	5,176	425	10,246	37,403
Insurance	108,591	12,575	21,015	1,721	35,311	143,902
Miscellaneous	13,765	12,999	45,945	196	59,141	72,906
National BBBS Dues	40,847	4,707	7,899	649	13,255	54,102
Bigger Together Fund Grant	300,000	-	-	-	-	300,000
Total Expense Before Depreciation	<u>3,359,923</u>	<u>570,815</u>	<u>993,571</u>	<u>44,941</u>	<u>1,609,328</u>	<u>4,969,251</u>
Depreciation Expense	<u>279,631</u>	<u>32,366</u>	<u>54,099</u>	<u>4,439</u>	<u>90,904</u>	<u>370,535</u>
Total Expenses	<u>\$ 3,639,554</u>	<u>\$ 603,181</u>	<u>\$ 1,047,670</u>	<u>\$ 49,380</u>	<u>\$ 1,700,232</u>	<u>\$ 5,339,786</u>
Percent of Total Expenses	68.2%	11.3%	19.6%	0.9%	31.8%	100.0%

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED SEPTEMBER 30, 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
Bigger Together Fund Grant	-	-	-	-	-	-
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
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 7,573,417	\$ 4,343,140
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	370,535	291,639
Loan Forgiveness Income	(450,000)	(595,000)
Realized and Unrealized Gain on Investments	554,491	(436,033)
Gain on Disposal of Assets	-	11,842
Perpetual Endowment Contributions	(3,107)	(5,138)
(Increase) Decrease in Allowance for Uncollectible Pledges	1,541	193
(Increase) Decrease in Current Assets:		
Escrow Deposits	-	715,407
Grants Receivable	(3,893)	16,784
Pledges Receivable	(106,657)	56,991
Prepaid Expenses and Accrued Interest	(57,246)	103,336
Increase (Decrease) in Current Liabilities:		
Accounts Payable	6,126	(40,337)
Accrued Expenses	23,187	24,882
Deferred Revenue	-	(38,207)
Deferred Rent	-	(1,756)
Net Cash Provided by Operating Activities	7,908,394	4,452,743
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(10,782)	(2,696,486)
Proceeds Received from Sale of Investments	16,866	33,096
Purchase of Investments	(8,004,579)	(53,118)
Net Cash Used by Investing Activities	(7,998,495)	(2,716,508)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Capital Lease Obligations	(6,908)	28,289
Principal Payments on Long-Term Debt	(1,205,128)	(98,872)
Proceeds from Paycheck Protection Program Loan	-	450,000
Perpetual Endowment Contributions	3,107	5,138
Net Cash Provided (Used) by Financing Activities	(1,208,929)	384,555
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,299,030)	2,120,790
Cash and Cash Equivalents - Beginning of Year	3,066,016	945,226
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,766,986	\$ 3,066,016

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 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.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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, 2022 AND 2021**

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, 2022, BBBS had conditional gifts of approximately \$1,600,000 where conditions had not yet been met due to facility naming and receipt of remaining campaign dollars.

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 statements 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, 2022 AND 2021

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 \$4,000) 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, 2022 AND 2021

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 (expenses such as communications, occupancy, insurance, and depreciation).

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.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The FASB issued this ASU to improve the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. Nonfinancial assets are defined within the ASU as including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services and unconditional promises of those assets. BBBS' financial statements reflect the application of ASU 2020-07 guidance retrospectively.

Subsequent Events

In preparing these financial statements, BBBS has evaluated events and transactions for potential recognition or disclosure through March 2, 2023, the date the financial statements were available to be issued.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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:

	2022	2021
Pledges Receivable	\$ 428,294	\$ 325,961
Allowance for Uncollectible Pledges	(500)	(2,041)
Net Present Value Discount at 5%	-	(1,242)
Total	\$ 427,794	\$ 322,678
Amounts Due In:		
Less Than One Year	\$ 427,794	\$ 261,386
One to Five Years	-	61,292
Total	\$ 427,794	\$ 322,678

NOTE 3 INVESTMENTS

Investments consist of the following at September 30:

	2022	2021
Long-Term Investments:		
Stock Mutual Funds	\$ 1,160,772	\$ 1,421,284
Bond Mutual Funds	502,641	705,397
Equity Exchange Traded Funds	423,830	483,736
Treasury Bills	8,990,605	-
Cash Held for Investment Purposes	59,460	1,060,709
Total Long-Term Investments	11,137,308	3,671,126
Total Investments	\$ 11,137,308	\$ 3,671,126

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:

	2022			
	Level 1	Level 2	Level 3	Total
Stock Mutual Funds	\$ 1,160,772	\$ -	\$ -	\$ 1,160,772
Bond Mutual Funds	502,641	-	-	502,641
Equity Exchange Traded Funds	423,830	-	-	423,830
Treasury Bills	-	8,990,605	-	8,990,605
Total	\$ 2,087,243	\$ 8,990,605	\$ -	\$ 11,077,848

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

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

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2022	2021
Leasehold Improvements	\$ 73,432	\$ 73,432
Equipment	457,895	457,895
Building	1,702,813	1,702,813
Furniture and Fixtures	867,835	862,273
Building Improvements	2,208,267	2,203,047
Total Property and Equipment	5,310,242	5,299,460
Less: Accumulated Depreciation	(1,313,432)	(942,897)
Property and Equipment, Net	\$ 3,996,810	\$ 4,356,563

NOTE 6 LINE OF CREDIT

BBBS had a \$300,000 line of credit agreement with a financial institution. The line expires on October 26, 2023. The line requires interest at prime rate plus 0.5%. BBBS's assets were security for any principal amounts borrowed under the agreement.

NOTE 7 LONG-TERM DEBT

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. The note was paid in full in June 2022.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 8 PAYCHECK PROTECTION PROGRAM LOAN

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. BBBS received full forgiveness of the loan on January 24, 2022. The U.S. Small Business Administration (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.

NOTE 9 CAPITAL LEASE

BBBS entered into capital lease agreements for two copiers during 2018. The cost of the equipment was \$17,064 as of September 30, 2022. The accumulated depreciation as of September 30, 2022 and 2021 is \$14,505 and \$11,092, 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, 2022. The accumulated depreciation as of September 30, 2022 and 2021 is \$6,419 and \$-0-, respectively.

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

<u>Year Ending September 30,</u>	<u>Amount</u>
2023	\$ 7,572
2024	5,124
2025	5,302
2026	5,486
2027	5,677
Thereafter	<u>7,901</u>
Total Minimum Lease Payments	37,062
Less: Amount Representing Interest	<u>(5,661)</u>
Present Value of Minimum Lease Payments	31,401
Less: Current Capital Lease Obligation	<u>(6,005)</u>
Net Long-Term Capital Lease Obligation	<u><u>\$ 25,396</u></u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 10 OPERATING LEASES

BBBS leased its office space under an operating lease which required 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>2022</u>	<u>2021</u>
Base Rent Paid on a Straight-Line Basis	\$ -	\$ 45,086
Real Estate Taxes and Operating Expenses	-	35,919
Other Equipment Lease Expense	-	150
Total	<u>\$ -</u>	<u>\$ 81,155</u>

NOTE 11 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Subject to Expenditure for Specified Purpose:		
Program Restricted	\$ 428,135	\$ 521,624
Time Restricted	345,000	7,766
Endowment Earnings	26,509	37,837
Total	<u>799,644</u>	<u>567,227</u>
Endowments:		
Scholarships	21,740	21,740
Memorial Funds	44,236	44,236
Other	24,942	21,835
Total	<u>90,918</u>	<u>87,811</u>
Total Net Assets With Donor Restrictions	<u>\$ 890,562</u>	<u>\$ 655,038</u>

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

	<u>2022</u>	<u>2021</u>
Program Restricted	\$ 297,506	\$ 242,794
Time Restricted	-	350,694
Total Assets Released from Restriction	<u>\$ 297,506</u>	<u>\$ 593,488</u>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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.

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

	2022		
	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	\$ -	\$ 90,918	\$ 90,918
Accumulated Investment Gains	-	26,509	26,509
Total	<u>\$ -</u>	<u>\$ 117,427</u>	<u>\$ 117,427</u>
	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>

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 12 ENDOWMENT (CONTINUED)

Application of Relevant Law (Continued)

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Investments -			
Beginning of Year	\$ -	\$ 125,648	\$ 125,648
Investment Income	-	(11,328)	(11,328)
Contributions	-	3,107	3,107
Appropriations	-	-	-
Endowment Investments -			
End of Year	<u>\$ -</u>	<u>\$ 117,427</u>	<u>\$ 117,427</u>
	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>

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, 2022 and 2021.

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 \$41,474 and \$40,671 for the years ended September 30, 2022 and 2021, respectively.

BIG BROTHERS BIG SISTERS OF THE GREATER TWIN CITIES
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

NOTE 14 CONCENTRATIONS

BBBS received 61% and 47% of its operating support from two donors for the years ended September 30, 2022 and 2021, respectively.

BBBS's pledges receivable are from a limited number of individuals and organizations. As of September 30, 2022, 83% of pledges are from four donors and as of September 30, 2021, 66% of pledges were from two donors.

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

NOTE 15 IN-KIND DONATIONS AND SERVICES

BBBS records various types of in-kind support, including certain professional services, materials, and equipment at fair market value based on estimated market rates of similar services or materials. The fundraising portion of in-kinds received are used for special events held by BBBS and the remainder are used in programming. 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 records in-kind donations and services at estimated fair market value at date of donation.

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

	<u>2022</u>	<u>2021</u>
In-Kind Donations and Services:		
Event Tickets	\$ 49,152	\$ 27,260
Gift Certificates	1,815	20,486
Services	9,410	29,887
Food and Beverage	16,187	7,508
Supplies	1,649	30,281
Apparel	38,516	-
Total In-Kind Donations and Services	<u>\$ 116,729</u>	<u>\$ 115,422</u>
In-Kind Expense Allocation:		
Program Services	\$ 80,428	\$ 47,897
Fundraising	36,209	67,525
Total In-Kind Expense Allocation	<u>\$ 116,637</u>	<u>\$ 115,422</u>

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, 2022 AND 2021

NOTE 17 RELATED PARTY TRANSACTIONS

Annual dues paid to Big Brothers Big Sisters of America (BBBSA) were \$63,960 and \$56,683 during the years ended September 30, 2022 and 2021, respectively. Additionally, BBBS granted BBBSA \$300,000 for their Bigger Together program in the year ended September 30, 2022. For the years ended September 30, 2022 and 2021, BBBS received funding from BBBSA of \$88,143 and \$118,575, 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 \$220,635 and \$270,338 during the years ended September 30, 2022 and 2021, 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.

	<u>2022</u>	<u>2021</u>
Cash and Equivalents	\$ 1,766,986	\$ 3,066,016
Investments	11,137,308	3,671,126
Grants Receivable	69,440	65,547
Pledges Receivable	427,794	261,386
Total Financial Assets	<u>13,401,528</u>	<u>7,064,075</u>
Donor-Restricted Scholarship Fund	(165,724)	(182,505)
Donor-Restricted Better Futures Campaign	-	(5,000)
Donor-Restricted Capital Campaign	-	(2,767)
Donor-Restricted Other Time and Purpose	(633,920)	(376,955)
Donor-Restricted Perpetual Endowment	(90,918)	(87,811)
Board-Designated for Better Futures Campaign	(1,217,116)	(1,217,116)
Board-Designated for Building Maintenance	<u>(1,500,000)</u>	<u>(1,500,000)</u>
Total Financial Assets Not Available for General Operating Support	<u>(3,607,678)</u>	<u>(3,372,154)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 9,793,850</u>	<u>\$ 3,691,921</u>



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