

BIG BROTHERS BIG SISTER OF SOUTHWEST  
WASHINGTON  
COMPARATIVE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2021, AND 2020



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# Patricia L. Pich, CPA, PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Brothers Big Sisters of Southwest Washington  
Olympia, Washington

### **Opinion**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Southwest Washington (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and 2020, and the related statements of activities and changes in net assets, 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 Southwest Washington as of December 31, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of Southwest Washington 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 Southwest Washington's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Southwest Washington's 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 Southwest Washington's 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.



Patricia L. Pich, CPA, PLLC  
Olympia, Washington  
July 8, 2022

BIG BROTHERS BIG SISTERS OF SOUTHWEST WASHINGTON  
COMPARATIVE STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
Current assets		
Cash	\$ 318,284	\$ 162,806
Restricted cash	9,807	7,572
Accounts receivable, less allowance for doubtful accounts of \$1,089 and \$0	53,974	25,656
Prepaid expenses	5,300	20,554
Total current assets	387,365	216,588
Property and equipment net of accumulated depreciation	39,129	59,645
Total assets	\$ 426,495	\$ 276,233
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payables	\$ 30,866	\$ 55,571
Accrued liabilities	45,476	35,461
Deferred revenue	15,000	-
Current portion of long-term debt	480	17,403
Total current liabilities	91,821	108,435
Long-term liabilities		
Long-term debt	9,520	92,897
Total liabilities	101,341	201,332
Net assets		
Without donor designation	315,346	67,330
With donor designation	9,807	7,571
Total net assets	325,153	74,901
Total liabilities and net assets	\$ 426,495	\$ 276,233

The accompanying notes are an integral part of these financial statements.

BIG BROTHERS BIG SISTERS OF SOUTHWEST WASHINGTON  
COMPARATIVE STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	<u>Without</u>	<u>With</u>		
	<u>Donor Restriction</u>	<u>Donor Restriction</u>	<u>2021</u>	<u>2020</u>
Support and Revenue				
Grants	\$ 112,580	\$ 54,320	\$ 166,900	\$ 184,910
Fees for service	157,433	-	157,433	198,522
Special events	387,013	-	387,013	304,324
CARES Act PPP loan forgiveness	203,536	-	203,536	-
Contributions	57,379	9,638	67,017	26,598
In-kind revenue	53,452	-	53,452	44,157
United Way	9,365	5,900	15,265	4,248
Other income	1,102	1	1,103	1,439
Total support and revenue	<u>981,860</u>	<u>69,859</u>	<u>1,051,719</u>	<u>764,199</u>
Net assets released from restriction	<u>67,623</u>	<u>(67,623)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>1,049,483</u>	<u>2,236</u>	<u>1,051,719</u>	<u>764,199</u>
Expenses				
Program services	529,631	-	529,631	413,727
Management and general	38,966	-	38,966	108,260
Fundraising	232,870	-	232,870	234,188
Total functional expenses	<u>801,467</u>	<u>-</u>	<u>801,467</u>	<u>756,175</u>
Change in net assets	248,016	2,236	250,252	8,024
Net assets, January 1,	<u>67,330</u>	<u>7,571</u>	<u>74,901</u>	<u>66,877</u>
Net assets, December 31,	<u>\$ 315,346</u>	<u>\$ 9,807</u>	<u>\$ 325,153</u>	<u>\$ 74,901</u>

The accompanying notes are an integral part of these financial statements.

BIG BROTHERS BIG SISTERS OF SOUTHWEST WASHINGTON  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021 AS COMPARED TO 2020

	Program Services	Management & General	Fundraising	2021 Totals	2020 Totals
Salaries and wages	\$ 302,892	\$ 2,477	\$ 73,264	\$ 378,633	\$ 392,880
Payroll taxes	22,575	1,921	8,005	32,501	32,340
Employee Benefits	<u>23,697</u>	<u>2,061</u>	<u>8,586</u>	<u>34,344</u>	<u>43,528</u>
Total personnel expenses	349,164	6,459	89,855	445,478	468,748
Professional fees	63,884	7,682	7,911	79,477	59,953
Special events	150	-	62,742	62,892	45,779
In-kind expense	-	250	53,202	53,452	44,157
Occupancy	34,028	3,939	3,939	41,906	26,372
Dues and subscriptions	20,437	1,618	4,210	26,265	26,249
Depreciation	11,386	9,130	-	20,516	21,209
Insurance	13,934	1,731	1,741	17,406	21,100
Program cost	14,015	93	60	14,168	12,009
Office expense	4,469	666	458	5,593	9,161
Bank fees	29	793	3,756	4,578	6,187
Telephone and communications	6,547	638	585	7,770	5,989
Travel expense	3,253	-	23	3,276	2,445
Miscellaneous expense	1,397	505	1,150	3,052	1,995
Advertising	-	-	99	99	1,500
Postage	591	92	752	1,435	1,085
Interest expense	-	1,523	-	1,523	1,071
Education and Training	3,219	1,898	1,560	6,677	660
Meetings	8	812	325	1,145	355
Bad debt expense	-	1,089	-	1,089	100
Printing	652	48	502	1,202	27
Mentor expense	<u>2,468</u>	<u>-</u>	<u>-</u>	<u>2,468</u>	<u>24</u>
Total	<u>\$ 529,631</u>	<u>\$ 38,966</u>	<u>\$ 232,870</u>	<u>\$ 801,467</u>	<u>\$ 756,175</u>

The accompany notes are an integral part of these financial statements.

BIG BROTHERS BIG SISTERS OF SOUTHWEST WASHINGTON  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from grants	\$ 370,436	\$ 184,910
Cash received from contributions	67,017	30,846
Cash received from United Way	15,265	-
Cash received from fees for service	129,114	204,312
Cash received from special events	387,013	304,324
Cash received from other income	1,032	1,424
Cash paid to suppliers and employees	(710,412)	(758,770)
Forgiveness of COVID-19 PPP loans	(201,447)	-
Interest income	71	16
Interest expense	<u>(1,523)</u>	<u>(1,071)</u>
Net cash provided (used) by operating activities	<u>56,567</u>	<u>(34,009)</u>
Cash flows from investing activities		
Purchase of fixed assets	<u>-</u>	<u>(6,907)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(6,907)</u>
Cash flows from financing activities		
COVID-19 PPP and EIDL loans	101,147	110,300
Principle payments on line of credit	<u>-</u>	<u>-</u>
Net cash provided by financing activities	<u>101,147</u>	<u>110,300</u>
Net increase in cash	157,714	69,384
Cash, January 1	<u>170,378</u>	<u>100,993</u>
Cash, December 31	<u>\$ 328,091</u>	<u>\$ 170,377</u>

The accompanying notes are an integral part of these financial statements.



BIG BROTHERS BIG SISTERS OF SOUTHWEST WASHINGTON  
COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
increase in net assets	\$ <u>250,252</u>	\$ <u>8,024</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	20,516	9,332
(Increase) decrease in accounts receivable	(28,319)	2,884
Decrease (increase) in prepaid expenses	15,255	(5,947)
(Decrease) increase in accounts payables	(24,706)	71,474
Increase in accrued liabilities	10,015	4,486
Increase (decrease) in other current liabilities	15,000	(2,978)
Forgiveness of CARES Act PPP Loans	<u>(201,447)</u>	<u>-</u>
Total adjustments	<u>(193,686)</u>	<u>79,251</u>
Net cash provided by operating activities	<u>56,567</u>	<u>87,275</u>
Supplemental disclosure of cash flow information		
Cash paid during the year		
Interest Paid	<u>\$ 1</u>	<u>\$ 12</u>
Non-cash activities		
In-kind contributions		
Fundraising in-kind contributions	\$ 53,452	\$ 44,157
Total non-cash activities	<u>\$ 53,452</u>	<u>\$ 44,157</u>

The accompanying notes are an integral part of these financial statements.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies**

**Brief History and Purpose**

Big Brothers Big Sisters of Southwest Washington (the Agency) is a local affiliate of our national organization that was founded in 1904. We have been making meaningful, monitored matches between adult volunteers (Bigs) and youth (Littles) ages 6 through 18 since 1984 throughout Thurston, Lewis, Grays Harbor, Pacific and Mason Counties. Our purpose is to develop positive relationships that have a direct and lasting effect on the lives of young people. The Agency receives funding from the United Way, grants from various foundations, individual donations and through special fundraising events.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Comparative Financial Statements**

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

**Reclassifications**

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

**Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates

**Cash**

Cash consists of cash in checking, savings, and money market accounts. The Agency maintains its cash in bank accounts, which at times may exceed Federal Deposit Insurance Corporation insured amounts. The Agency has not experienced any losses in such accounts.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies (continued)**

**Accounts Receivable**

The Agency's accounts receivable is primarily reimbursed amounts due from local and state governmental agencies. Revenue is recognized and recorded at the time expenses relating to the contract obligations and are incurred by recording a receivable. Accounts receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Agency provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of contractors to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

**Fixed Assets**

Expenditures for equipment and leasehold improvements are recorded at cost. Equipment and services donated to the Agency are capitalized at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 15 years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expenses.

**Net Assets**

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

*Net Assets Without Donor Designation:* Net assets available for use in general operation and not subject to donor (or certain grantor) restrictions. This also can include board designated funds for specific purpose/use.

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

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies (continued)**

**Donated Goods and Services**

Donated goods and services are recorded at their estimated fair value when received and reported in the statement of activities at their estimated values at the date of receipt. Big Brothers Big Sisters of Southwest Washington recognized and recorded donated goods in the amount of \$53,452 for the annual auction fundraiser. No amounts have been recorded in the financial statements for the donated time of volunteers since do not meet the requirements set out in the in *FASB ASC 958*.

**Revenue Recognition**

Big Brothers Big Sisters of Southwest Washington revenues are recognized in the year when transfers of services are met per the individual service contracts at a point in time, support is recognized in the year it is unconditionally promised, and expenses are reported in the year incurred.

Contributions that are restricted by the donor are reported as increases in net assets without donor designation if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized.

All other donor-restricted contributions are reported as increases in donor designated net assets, depending on the nature of the restrictions. When a restriction expires, donor designated net assets are reclassified to without donor designation net assets and reported in the statement of activities as net assets released from restrictions.

Grant and contract revenue are recognized at the time the Agency has performed the services and has right of claim. Expenses are recognized when a liability for goods and services arises regardless of time of payment.

**Functional Allocation of Expense**

The costs of providing The Agency's program and supporting services are summarized on a functional basis in the statement of activities based on direct program expenses. Payroll and related expenses are allocated base on time spent on each function. Postage, printing, and insurance are allocated based on usage by department. Occupancy expenses including rent, utilities, and repairs and maintenance are allocated based on full-time equivalent allocation of time.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies (continued)**

**Federal Income Tax Status**

The Agency is a not-for-profit organization and is exempt from federal income tax under the Internal Revenue Code Section 501(c)(3) as described in section 509(a)(1). The Agency is subject to income taxes on activities unrelated to its exempt purpose, none are known to exist.

The Agency may recognize the tax benefit from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Agency and various positions related to the potential sources of unrelated business taxable income (UBIT). The Agency has analyzed its tax positions taken for filings with the Internal Revenue Service. The Agency believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Agency's financial condition, results of operations, or cash flows.

**Subsequent Events**

Management has evaluated subsequent events through July 8, 2022, the date that the financial statements were available to be issued.

**COVID-19**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Agency operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economics Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, impacted in the near term as a result of these conditions.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies (continued)**

**Special Borrowing Arrangement**

As a result of the COVID-19 pandemic, the Agency obtained a Paycheck Protection Program loan (PPP loan) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) in April 2020 for approximately \$100,300 with an annual interest rate of 1% annually to help ongoing operations and reduce potential employee layoffs. Principal and interest payments are deferred for 18 months from the funding date. The Small Business Association (SBA) confirmed full and complete forgiveness of the unpaid balance of the loan, and reimbursed the bank for the total outstanding balance, principle, and interest. The Agency’s obligations under the loan were deemed fully satisfied and paid in full. In May of 2021, the SBA granted total forgiveness of the initial PPP loan and the related accrued interest. The total amount of the loan forgiven and related interest of \$100,300 and \$1,145 is recorded as revenue in the statement of activities and changes in net assets.

In January of 2021, the Agency applied for and obtained a second Paycheck Protection Program loan (PPP loan) under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) in the amount of \$101,147 with an annual interest rate of 1% annually to help ongoing operations. Principal and interest payments were deferred for 10 months from the funding date. If the Small Business Association (SBA) confirms full and complete forgiveness of the unpaid balance of the loan, and reimburses the bank for the total outstanding balance, principle, and interest, the Agency’s obligations under the loan will be deemed fully satisfied and paid in full. In December of 2021, the SBA granted total forgiveness of the initial PPP loan and the related accrued interest. The total amount of the loan forgiven and related interest of \$101,147 and \$944 is recorded as revenue in the statement of activities and changes in net asset

In addition to the PPP loan, the Agency obtained an U.S. Small Business Administration Economic Injury Disaster Loan (EIDL) payable, 2.75% APR, due in 360 monthly installments and payments are deferred for 12 months from the origination date of April 14, 2020, with payments starting April 2021. The loan was obtained to help the Organization with operational expenses due to closures resulting from the COVID-19 pandemic. Accrued interest for the EIDL note payable was \$304 at December 31, 2021.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Summary of Significant Accounting Policies (continued)**

**COVID-19 Impact**

The COVID-19 pandemic had a massive impact on our organization revenue streams in 2020 requiring drastic cuts in our overall expenses. This included laying off three employees permanently, furloughing staff, and restricting all travel and purchases of supplies. We requested and received a reduction in rent from our landlord and a reduction in fees from several contractors. That along with applying for a PPP loan received in 2020, we were able to continue operations and serve youth while pivoting from an in-person match meetings model to a virtual platform.

As we moved into 2021 we began to hear from the youth and families we serve that were most impacted by social, financial and educational changes due to the pandemic. It became even more imperative that our services and programs remained available and accessible. In spite of COVID-19, we stayed true to our mission “to create and support one-to-one mentoring relationships that ignite the power and promise of youth” by serving over 170 youth, 170 volunteers and 170 families in 2021. Our Community and Site-Based Bigs and Littles were excited to start meeting in person again and we experienced a huge increase in the numbers of youth seeking a mentor, as well as high school students and adults signing up to become mentors. In order to meet the demand for this rise of interest, we were able to hire back several staff members to oversee the match requests. Throughout it all, BBBS staff has remained extremely flexible and adaptable and have come up with new creative ways to keep our kids connected, engaged and interested in their learning.

To support the surge in youth requesting and being matched with a mentor we were fortunate to receive a second PPP loan in 2021, with both the past and current PPP loans being forgiven. We also experienced an increase in revenue from fundraising events as we returned to in-person events. We were also fortunate to receive an increase of funding from individual donors and foundations. Overall, this helped offset the increase in payroll and program supply expenses as we hired back staff to build capacity to serve more youth.

We were able to move back into a more normal operating mode and we ended 2021 in a strong financial position as COVID-19 restrictions were relaxed and students returned to school.

**Concentration of Risk**

The Agency receives a substantial amount of its revenue through fundraising and contributions. If a significant reduction in fundraising and contributions should occur, it may have a significant effect on the Agency’s programs and activities.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Liquidity and Availability**

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

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 328,091	\$ 170,378
Less restricted cash	(9,807)	(7,572)
Accounts receivable	53,974	25,656
Prepaid expenses	5,300	20,554
Accounts payable	(30,865)	(55,570)
Accrued liabilities	(45,476)	(35,461)
Deferred revenue	(15,000)	-
Current portion of long-term debt	(480)	(17,403)
	<u>\$ 285,737</u>	<u>\$ 100,582</u>

As a part of the Agency's liquidity management plan, The Agency will strive to generate an unrestricted surplus (unrestricted revenue in excess of expenses) annually through its operations, and accumulate these annual, unrestricted surpluses to:

- Create a reserve fund to safeguard against unexpected expenses and/or revenue losses,
- Capitalize growth in operations to expand the mission,
- Invest in long-term assets, and
- Make other strategic investments.

The reserve fund shall be comprised of cash or marketable securities in an amount equivalent to at least one-third of The Agency's annual operating expenses. The reserve fund shall be the primary purpose of accumulated unrestricted net assets until such minimum amount is attained. In the event the reserve fund balance falls below this minimum, The Agency shall develop a Board approved plan to replenish it to the required minimum amount within six (6) months. The Agency maintains two open lines of credit in the amount of \$75,000, of which \$75,000 remained available on December 31, 2021.



BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Fair Value Measurement**

FASB ASC 820, *Fair Value Measurement*, establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority of unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Big Brothers Big Sisters of Southwest Washington has the ability to access.

Level 2: Inputs to valuation methodology include:

- a. Quoted prices for similar assets or liabilities in active markets.
- b. Quoted prices for identical or similar assets or liabilities in inactive markets.
- c. Inputs other than quoted prices that is observable for the asset or liability.
- d. Inputs that are principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Agency's financial instruments of cash, accounts receivable, prepaid expenses, accrued liabilities, accounts payable, and other current liabilities are recorded at their approximate fair values based on their short-term nature.

Long-term debt was obtained to support programming during the COVID-19 pandemic and the loans are conditional and could be forgiven if all conditions are met and reported. As a result of the confidence in the condition to have the debt forgiven, the Agency determined to value the liability at fair market value of the notes as management believes the debt will be forgiven in the short-term.

The Agency has determined the fair value of certain assets and liabilities.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEARS ENDED DECEMBER 31, 2021, AND 2020

**Fair Value Measurement (continued)**

Fair value of assets measured on a recurring basis as of December 31 is as follows:

	Year Ended December 31, 2021			Total
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash	\$ 328,091	\$ -	\$ -	\$ 328,091
Accounts receivable	53,974	-	-	53,974
Prepaid expenses	5,300	-	-	5,300
Accounts payable	30,865	-	-	30,865
Accrued liabilities	45,476	-	-	45,476
Deferred revenue	15,000	-	-	15,000
Debt	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
	<u>\$ 488,706</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 488,706</u>

	Year Ended December 31, 2020			Total
	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Cash	\$ 170,378	\$ -	\$ -	\$ 170,378
Accounts receivable	25,656	-	-	25,656
Prepaid expenses	20,554	-	-	20,554
Accounts payable	55,570	-	-	55,570
Accrued liabilities	34,402	-	-	34,402
Other current liabilities	7,572	-	-	7,572
Debt	<u>110,300</u>	<u>-</u>	<u>-</u>	<u>110,300</u>
	<u>\$ 424,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 424,432</u>

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**Cash, Restricted Cash, and Restricted Cash Equivalents**

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments, money market funds, and certificates of deposits with an original maturity of three months or less. Assets reserved for the Patty Layton Enrichment Fund, Scholarships, and Fundraising expenditures on the statements of financial position include restricted cash received with restrictions imposed by donors (but not yet spent). The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported within the statements of financial position that sum to the totals of the same such amounts in the statements of cash flows.

	<u>2021</u>	<u>2020</u>
Cash	\$318,084	\$ 162,806
Restricted cash included in assets:		
Patricia Layton Enrichment Fund	9,445	6,991
Scholarships	362	381
Board designated auction expenditures	-	200
Total cash and cash equivalents	<u>\$ 328,091</u>	<u>\$ 170,378</u>

**Fixed Assets**

The Agency's fixed asset accounts consist of leasehold improvements, equipment, and furniture which are stated at cost and the estimated fair market value of donated equipment at the date of receipt. Depreciation is provided over the estimated lives of the assets on a straight-line method. Detailed property records are maintained on these assets. Depreciation expense at December 31, was \$20,516 and \$21,209 for 2021 and 2020, respectively.

As of December 31, the Agency's fixed assets consist of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 39,191	\$ 39,191
Equipment and furniture	<u>79,527</u>	<u>79,527</u>
Total assets	118,718	118,718
Accumulated depreciation	<u>79,589</u>	<u>59,073</u>
Total fixed assets net of depreciation	<u>\$ 39,129</u>	<u>\$ 59,645</u>

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
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**Accrued Liabilities**

Accrued liabilities consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Accrued wages	\$ 23,479	\$ 16,490
Accrued compensated absences	18,419	15,419
Accrued payroll taxes	3,085	951
Accrued expenses	-	1,542
Accrued interest	<u>492</u>	<u>1,059</u>
Total accrued liabilities	<u>\$ 45,475</u>	<u>\$ 35,461</u>

**Lines of Credit**

As of December 31, 2021, pursuant to agreements with First Citizens Bank and Olympia Federal Savings, the Agency had available a \$40,000 and \$35,000, respectively, unsecured lines of credit, none of which was outstanding at that date.

**Net Assets with Donor Designations**

The Agency received a donation from a family for funds memorialized in honor of a loved one, labeled the Patricia Layton Enrichment Fund. The funds are designated by the donor to be spent on enrichment programs. The Patricia Layton Enrichment Fund was established to provide youth and families in our programs opportunities to explore experiences that can provide a broader perspective and inspiration that may not be available otherwise. As of December 31, 2021, and 2020, the Patricia Layton enrichment fund balance was \$9,445 and \$6,991, respectively.

The Agency received contributions to provide scholarships for youth to participate in programing for those who may not have the resources to do so. Donor designated contributions for scholarships at December 31, 2021 and 2020 were \$362 and \$381, respectively.

The Board has contributed funds designated for auction related expenses and are included in donor designated net asset. Donor designated funds for auction related expenses at December 31, 2021, and 2020 were \$0 and \$200, respectively.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
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**Long-term Debt**

The Agency has the following debt obligations:

	<u>2021</u>	<u>2020</u>
<p>Note payable to the Small Business Association, CARES Act PPP conditional note payable, 1% APR, due in 18 monthly installments and payments are deferred from 18 months from the origination date of April 3, 2020, with payments starting October 3, 2021. The loan was obtained to help the Agency with operational expenses due to closures resulting from the COVID-19 pandemic and could be forgiven if the Agency successfully demonstrates the funds were used in compliance with the terms of forgiveness stated by the Small Business Association. Monthly installments of \$5,660 will be due if the note is not forgiven. Management filed for forgiveness and received total forgiveness on May 24, 2021. The total amount forgiven including interest was \$101,445 and recognized as revenue in the statement of activities and changes in net assets.</p>	\$	- \$ 100,300
<p>Note payable to the Small Business Association, U.S. Small Business Administration Economic Injury Disaster Loan (EIDL) payable, 2.75% APR, due in 360 monthly installments and payments are deferred from 12 months from the origination date of April 14, 2020, with payments starting April 2021. The loan was obtained to help the Agency with operational expenses due to closures resulting from the COVID-19 pandemic. Accrued interest for the EIDL note payable was \$492 at December 31, 2021.</p>	10,000	10,000
<p>Total long-term debt</p>	\$ 10,000	\$ 110,300

Future minimum payments under these obligations are summarized as follows:

2022	\$ 480
2023	480
2024	480
2025	480
2026	480
Thereafter	<u>7,600</u>
	10,000
Less: current portion	<u>(480)</u>
Total expected long-term debt	<u>\$ 9,520</u>

Interest charged to expense on the long-term debt was \$1,523 for the year ending December 31, 2021.

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**Revenue Recognition**

The Agency's fees for services contracts contain a single delivery element and revenue is recognized at a single point in time when services are rendered, and the related expenses have occurred.

The Agency provides mentoring services to youth. Service contract revenue is recognized when mentoring services are performed and recorded monthly or when all obligations of the service contract are completed.

<u>Revenue by Type</u>	<u>2021</u>	<u>2020</u>
Fees for services, contracts	<u>\$ 157,433</u>	<u>\$ 198,522</u>
Total	<u>\$ 157,433</u>	<u>\$ 198,522</u>

Fees for services contracts in accounts receivable for the year ended December 31, 2021, and 2020 was \$54,441 and \$25,656, respectively.

**In-kind Donations and Services**

During the years ended December 31, 2021, and 2020, the Agency received donated materials and services that meet requirements set out in the revenue recognition guidance, non-cash contributions. The value of donated materials and services is reflected in the financial statements as in-kind revenue and in-kind expenses and estimated at fair market value when received as per the *FASB Accounting Standards Codification (ASC) 820, Fair Value Measurement*. In-kind revenue and in-kind expense for the year ended December 31, 2021, and 2020 was \$53,452 and \$44,157, respectively. The following in-kind contributions were received.

<u>Donation Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Program</u>	<u>Fundraising</u>	<u>Program</u>	<u>Fundraising</u>
Supplies and materials	\$ -	\$ 53,452	\$ -	\$ 44,157
Professional services	-	-	-	-
Total in-kind contributions	<u>\$ -</u>	<u>\$ 53,452</u>	<u>\$ -</u>	<u>\$ 44,157</u>

Volunteers contribute services toward the fulfillment of programs sponsored by the Agency. The contributed services that do not meet the requirements set out in the in *FASB ASC 958* are not recorded in the financial statements.

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
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**In-kind Donations and Services (continued)**

During the years ended December 31, 2021, and 2020, the estimated fair value of contributed services received but not recorded in the financial statements are as follows:

<u>Service Type</u>	<u>2021</u>		<u>2020</u>	
	<u>Volunteer</u>	<u>Total</u>	<u>Volunteer</u>	<u>Total</u>
	<u>Hours</u>	<u>Estimated</u> <u>Value</u>	<u>Hours</u>	<u>Estimated</u> <u>Value</u>
Board Member Service	694	\$ 20,785	274	\$ 7,820
Special Events	<u>345</u>	<u>10,333</u>	<u>87</u>	<u>2,483</u>
Total	<u>1,039</u>	<u>\$ 31,118</u>	<u>361</u>	<u>\$ 10,303</u>

The estimated fair value of contributed service for the years ended December 31, 2021, and 2020 was \$31,118 and \$10,303, respectively. The Agency uses the Independent Sector national average in Washington State, \$29.95 per hour in 2021 and \$28.54 per hour in 2020, to value hourly volunteer contribution services.

**Fund-raising Expense**

Total fund-raising expense for the years ended December 31, 2021, and 2020 was \$232,870 and \$234,188, respectively. Fund-raising expenses related to the annual support for 2021 and 2020 was 41% and 45%, respectively, of the total annual special events, contributions, and grant revenue. The ratio of expenses to amounts raised is computed using the functional expenses and related special event, contributions, and grant revenue on an accrual basis.

**Special Events**

The Agency held several special events during the year ended December 31, 2021, and 2020. Support received and the related expenses are as follows:

Year ending December 31, 2021

<u>Special Event</u>	<u>Gross Revenues</u>	<u>Event Expenses</u>	<u>Net Profit</u>
Big Brunch	39,915	\$ 483	\$ 39,432
Golf Tournament	54,441	8,240	46,201
Auction	244,793	37,063	207,730
Big Spring Golf	22,311	17,105	5,206
MY STEAM Learning Lab	16,553	4,951	11,602
BIG Drive In	9,000	-	9,000
Total	<u>\$ 387,013</u>	<u>\$ 62,892</u>	<u>\$ 324,121</u>

BIG BROTHERS BIG SISTER OF SOUTHWEST WASHINGTON  
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**Special Events (continued)**

Year ending December 31, 2020

<u>Special Event</u>	<u>Gross Revenues</u>	<u>Event Expenses</u>	<u>Net Profit</u>
Big Brunch	\$ 44,906	\$ 11,655	\$ 33,251
Bowl for Kids' Sake	12,900	-	12,900
Golf Tournament	45,603	13,285	32,318
Auction	176,597	18,242	158,355
Tennis Tournament	17,279	2,597	14,682
MY STEAM Learning Lab	3,029	-	3,029
BIG Reasons to Give	4,010	-	4,010
Total	<u>\$ 304,324</u>	<u>\$ 45,779</u>	<u>\$ 258,545</u>

**Agency Transactions**

The current liability account "Accrued OSPI Distribution" represents the value of contracted services due to Affiliates on behalf of the Washington Office of Superintendent of Public Instruction (OSPI) contract with the Agency. The Agency acts as an intermediary for the contracted funds due to Affiliates. The Agency's policy is to record the contracted services as a liability until the fees for the contracted services are received and disbursed, at which time the liability is removed from the Agency's financial statements. At year ending December 31, 2021, and 2020, the accrued liability was \$21,419 and \$4,366, respectively.

Affiliate distributions for the OSPI contract is as follows for the year ended December 31, 2021, and 2020:

<u>Affiliate</u>	<u>2021</u>	<u>2020</u>
BBBS of Inland NW	\$ 3,494	\$ 12,565
BBBS of Island County	15,399	22,414
BBBS of Puget Sound	<u>5,410</u>	<u>3,375</u>
Total	<u>\$ 24,303</u>	<u>\$ 38,354</u>

**Retirement Plan**

The Agency has a Simple IRA plan for employees. The Agency provides a dollar-for-dollar matching contribution not to exceed 3% of each employee's wages. During the years ended December 31, 2021, and 2020, the Agency recognized a retirement expense totaling \$6,642 and \$8,378, respectively.



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**Leases**

In 2018, the Agency entered into an operating lease agreement for the facility on August 29, 2018, for five years beginning December 1, 2018, with a minimum monthly lease payment of \$3,516. Due to the COVID-19 pandemic, the lease was amended May 8, 2020, to temporarily reduce the amount of lease payments from July 2020 through February 2021 to assist the Agency during disruptions relating to COVID-19. The temporarily reduced lease amount is \$1,758 per month.

The Agency leases facilities and equipment which are classified as operating leases. Lease expense for the facilities and equipment for the year ended December 31, 2021, and 2020, was \$34,640 and \$26,372, respectively.

The following is a schedule, by year, of total minimum lease payments payable as of December 31, 2021:

2022	\$ 42,192
2023	38,676
2024	-
2025	-
2026	-
Total	<u>\$ 80,868</u>

**Related Party Transactions**

The Agency entered into an operating lease for the use of facilities on August 29, 2018, for five years beginning December 1, 2018 and an option to lease the facility for an additional 2 five year terms. The facility, which is being used as the primary facility for operations, is leased at a monthly cost of \$3,516 from MPH Holdings, LLC, a company owned by a member of the Board of Directors of the Agency. It is the opinion of the Board of Directors that the lease's terms are not less favorable than could be obtained if the property were leased from an unrelated party. The interested Board Member has abstained from all decision making on behalf of the Agency's Board of Directors regarding this transaction. Total lease payments made to MPH Holdings, LLC at December 31, 2021, and 2020 was \$34,485 and \$26,372, respectively.

The Agency also entered into a contract for professional services with management's family member to conduct grant writing services. The total amount of contracted services paid to the related party at December 31, 2021, and 2020 was \$24,640 and \$4,760, respectively.