BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

For the year ended
December 31, 2019
(with comparative financial information for the
year ended December 31, 2018)

BIG BROTHERS BIG SISTERS SERVICES, INC.

Contents

Frank Barcalow CPA, P.L.L.C.

Independent Auditor's Report

Big Brothers Big Sisters Services, Inc.
The Board of Directors
Richmond, Virginia

We have audited the accompanying financial statements of Big Brothers Big Sisters Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters Services, Inc. as of December 31, 2019 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters Services, Inc. financial statements, and our report dated February 27, 2019, expressed an unqualified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia

February 14, 2020

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Members American Institute of Certified Public Accountants

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statements of Financial Position
December 31, 2019
(with comparative totals for the year ended December 31, 2018)

Assets		**2019**		**2018**
Current assets				
Cash and cash equivalents	$	100,051	$	166,784
Contributions receivable, net		-		7,900
Grants receivable		168,000		118,000
United Way allocations and contributor choice		67,996		108,600
Other assets		18,470		8,031
Total current assets		354,517		409,315
Non current assets				
Investments		226,998		207,364
Deposits		5,250		5,250
Property, equipment and improvements, net of accumulated depreciation of $33,024 for 2019 and $26,143 for 2018, respectively		13,203		20,896
Total noncurrent assets		245,451		233,510
Total assets	$	599,968	$	642,825
Liabilities and Net assets				
Liabilities				
Accounts payable	$	29,758	$	8,956
Accrued expenses		40,013		36,471
Unearned income		23,750		-
Total liabilities		93,521		45,427
Net assets				
Net assets without donor restrictions		203,915		278,002
Net assets without donor restrictions, property and equipment		13,203		20,896
Total net assets without restrictions		217,118		298,898
Net assets with donor restrictions		289,329		298,500
Total net assets		506,447		597,398
Total liabilities and net assets	$	599,968	$	642,825

See notes to the financial statements.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Activities
Year Ended December 31, 2019
(with summarized financial information for the year ended December 31, 2018)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2019	Total 2018
Public support and revenue				
Contributions	$ 171,272	$ -	$ 171,272	$ 179,614
United Way allocations and designations	-	121,407	121,407	213,608
Grants	-	395,050	395,050	452,372
Special events	269,232	-	269,232	230,514
Investment income	8,065	-	8,065	6,203
Unrealized gains (losses)	14,281	-	14,281	(11,526)
Other income	-	-	-	836
Total public support and revenue	462,850	516,457	979,307	1,071,621
Net assets released from restrictions	525,628	(525,628)	-	-
Total public support and revenue	988,478	(9,171)	979,307	1,071,621
Expenditures				
Program services	845,714	-	845,714	812,897
Total program services	845,714	-	845,714	812,897
Supporting services				
Development	141,620	-	141,620	107,353
General and administrative	82,924	-	82,924	108,438
Total supporting services	224,544	-	224,544	215,791
Total expenditures	1,070,258	-	1,070,258	1,028,688
Change in net assets	(81,780)	(9,171)	(90,951)	42,933
Net assets, beginning of the year	298,898	298,500	597,398	495,201
Acquisiton of net assets of Big Brothers Big Sisters Greater Virginia Peninsula	-	-	-	59,264
Net assets, end of the year	$ 217,118	$ 289,329	$ 506,447	$ 597,398

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Functional Expenses
Year ended December 31, 2019
(with summarized totals for the year ended December 31, 2018)

	Program Services	Development	Management and General	Total Supporting Services	2019 Total Expenses	2018 Total Expenses
Salaries	$ 425,004	$ 80,615	$ 36,854	$ 117,469	$ 542,473	$ 560,964
Employee benefits	83,297	11,505	11,098	22,603	105,900	78,898
Payroll taxes, etc.	38,849	6,718	2,562	9,280	48,129	49,534
Total salaries and related expenses	547,150	98,838	50,514	149,352	696,502	689,396
Professional fees and Contract services	24,919	15,400	8,929	24,329	49,248	56,766
Special events	51,346	6,910	-	6,910	58,256	59,923
Office Supplies	4,322	-	4,322	4,322	8,643	4,763
Telephone	5,523	-	5,522	5,522	11,045	9,815
Postage	5,377	-	-	-	5,377	2,488
Occupancy	90,206	-	-	-	90,206	75,985
Printing and public relations	2,301	10,897	-	10,897	13,198	17,930
Travel and conferences	19,969	2,953	2,953	5,906	25,875	29,530
National Dues	16,022	-	-	-	16,022	9,867
Equipment rental and maintenance	21,343	2,371	5,300	7,671	29,014	20,369
Insurance	16,438	-	-	-	16,438	12,803
Depreciation	7,260	-	-	-	7,260	6,535
Bad debts	7,350	-	-	-	7,350	-
Miscellaneous	26,189	4,251	5,384	9,635	35,824	32,518
Total expenses	$ 845,714	$ 141,620	$ 82,924	$ 224,544	$ 1,070,258	$ 1,028,688

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statements of Cash Flows
Year Ended December 31, 2019
(with comparative totals for the year ended December 31, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	$ (90,951)	$ 42,933
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	7,260	6,535
Inkind income	15,488	8,000
Inkind expenses	(15,488)	(8,000)
Bad debt expenses	7,900	-
Loss from disposal of equipment	433	-
Unrealized (gains) losses on investments	(14,281)	11,526
(Increase) decrease in contributions receivable	-	13,832
(Increase) decrease in grants receivable	(50,000)	(14,667)
(Increase) decrease in United Way allocation and contributor choice	40,604	(59,588)
(Increase) decrease in other assets	(10,439)	(6,164)
Increase (decrease) in accounts payable and accrued liabilities	24,344	(10,459)
Increase (decrease) in unearned income	23,750	(1,500)
Net cash provided by (used in) operating activities	(61,380)	(17,552)
Cash flows from investing activities		
Acquisition of net assets from Big Brothers Big Sisters Greater Virginia Peninsula	-	59,264
Purchase of equipment	-	(8,935)
Purchase of investments	(5,353)	(53,831)
Net cash provided by (used in) investing activities	(5,353)	(3,502)
Net increase (decrease) in cash and cash equivalents	(66,733)	(21,054)
Cash and cash equivalents at beginning of year	166,784	187,838
Cash and cash equivalents at end of year	$ 100,051	$ 166,784

Notes to Financial Statements

December 31, 2019

Note 1 - Organization and summary of significant accounting policies

Nature of the Organization

Big Brothers Big Sisters Services, Inc. (the Organization) is an independent not-for-profit non-stock corporation, established for the purpose of organizing in Central Virginia a group of mature and responsible persons to voluntarily assist, counsel, and guide boys and girls who lack an adequate adult figure in their lives. A significant portion of the Organization's revenues is derived from contributions received from United Way Services.

Basis of accounting and presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Under generally accepted accounting principles of the United States, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed stipulations, that can be fulfilled by the actions of the Organization pursuant to those stipulations or that expire by the passage of time. Net assets without donor restrictions are assets that are no subject to or are no longer subject to donor-imposed stipulations.

Use of estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. 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 events and circumstances could alter those estimates.

Cash and cash equivalents

For cash flows reporting purposes, the Organization's definition of cash and cash equivalents includes all purchases with original maturities of three months or less at the date of purchase.

Advertising

Advertising costs are expensed when incurred. There were no expenses for advertising for 2019 and 2018.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position. Unrealized and realized gains and losses are included in the change in net assets.

Property and equipment

The Organization follows the practice of capitalizing all expenditures for land, buildings and equipment at cost, and all donated property and equipment at fair market value at date of gift. Depreciation is computed on the straight-line method over the estimated useful lives of the assets of five years. Generally, the costs of major improvements are capitalized, while the costs of maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Cost of equipment and improvements over $1,000 are capitalized as assets. The cost and accumulated depreciation on property are eliminated from the accounts upon disposal, and any resulting gain or loss is included in income.

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of significant accounting policies (continued)

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Unconditional promises to give, including pledges and contributions receivable, are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. Amounts due more than one year later are recorded at the present value of the estimated future cash flows, discounted at risk-free rates applicable to the years in which the promises were received.

Allowance for Doubtful Accounts

The allowance for uncollectible contributions was $0 at December 31, 2019 and 2018, respectively.

Donated services and other

The Organization recognizes donated services, supplies, assets, and other items in accordance with FASB Accounting Standards Codification 958, Not for Profit Entities. All in-kind contributions are recorded when received at fair value as income and expenses or capitalized as property or equipment. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue. The Organization pays for most services requiring specific expertise. However, many individuals interested in the Organization's programs volunteer their time and perform a variety of tasks. Total contributed services was $15,488 for donated space at December 31, 2019.

Functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other expenses, which are allocated on funding basis. Any expenses that can be identified to a funding source are directly charged to appropriate grant.

Deferred Revenue

Deferred revenue consists of unexpended grant funds received for the next year's programs or received in advance. Deferred revenue also consists of sponsorships received for the next year's events.

Notes to Financial Statements

December 31, 2019

Note 1 - Summary of significant accounting policies (concluded)

Income taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2019. Fiscal years ending on or after December 31, 2016 remain subject to examination by federal and state tax authorities.

Note 2 - Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist principally of cash, cash equivalents and receivables. The Organization maintains its cash balances with high quality financial institutions located in Richmond, Virginia, which are insured at the federally insured limits of $250,000. The Organization has not experienced any losses in such accounts. The Organization's unsecured receivables are due from pledges from individuals, other non-profit organizations, and corporations; therefore, its ability to collect is affected by the financial condition of the debtor.

Note 3 - Investments

Investments are stated at their readily determinable fair value and are summarized as follows as of December 31, 2019 and 2018:

	Fair Market Value	Cost
Cash and money market funds	$ 5 000	$ 5 000
Equity funds	83 839	68 307
Fixed income funds	138 159	139 706
	$ 226 998	$ 213 013

	Fair Market Value	Cost
Cash and money market funds	$ 7 414	$ 7 414
Equity funds	69 750	63 513
Fixed income funds	130 200	136 748
	$ 207 364	$ 207 672

Notes to Financial Statements

December 31, 2019

Note 4 – Commitments

Big Brothers Big Sisters Services, Inc. leases administrative office space in Richmond, Virginia and Norfolk, Virginia under non cancellable operating leases which expire July 31, 2024 and January 31, 2021, respectively. The following schedule by years of future minimum rental payments under these leases at December 31, 2019:

2020	$	77 113
2021		69 097
2022		70 232
2023		72 336
2024		24 348
	$	313 126

Total rent expense for the current year totaled $90,206 and included in occupancy expense. Included within rent expense is donated rent in the amount of $15,488.

Note 5 - National Dues

The Organization is required to make support payments to Big Brothers Big Sisters of America (National) based on adjusted expenditures as defined by National. During the year ended December 31, 2019 the required payments amounted to $16,022 National provides various program services in return for these payments.

Note 6 – Contributions receivable

Unconditional promises to give as of December 31, 2019 and 2018 are as follows:

Receivable in less than one year	$	-	$	7 900
Receivable in one to five years		-		-
		-		7 900
Less allowance		-		-
Net pledges receivable	$	-	$	7 900

Notes to Financial Statements

December 31, 2019

Note 7- Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2019 and 2018:

	2019	2018
Pledges receivable	$ -	$ 7 900
United Way allocation and contributor choice	67 996	108 600
Mentoring	201 333	162 000
Software	20 000	20 000
Net assets with donor restrictions	$ 289 329	$ 298 500

Net assets released from restrictions of $417,028, are related to purpose restrictions being met. Net assets released from restrictions of $108,600 are related to time restrictions, for a total of $525,628 for the year ended December 31, 2019. Net assets with donor restrictions include pledges and grants receivable, United Way allocation receivable, and cash and cash equivalents.

Note 8 - Retirement plans

The Organization participates in a defined multiple employer benefit plan, which extends to the participating affiliated agencies with United Way of Greater Richmond & Petersburg as administrator, which has been frozen since 2008. Each year the administrator sets a rate of contribution for covered salaries for all affiliated agencies.

The economic recession depreciated pension plan assets while at the same time the pension liability continued to grow. The United Way of Greater Richmond & Petersburg plans to close the pension plan within the next five years. Any unfunded liability amounts will be assessed to the remaining participating agencies. The underfunded amount will be recalculated each year as interest rates change. The Organization’s related retirement expense for December 31, 2019 was $31,323.

The Organization also has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participates in a voluntary payroll deduction. The Organization did not contribute to the plan for the year ended December 31, 2019.

Note 9 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 14, 2020, the date the financial statements were issued.

Note 10 - Future accounting pronouncements

In February 2016, Financial Accounting Standards Board (FASB) issued new guidance over leases which requires that all leasing activity with terms greater than one year be recognized on the statement of financial position with a right of use asset and a lease liability. The asset and corresponding liability will be calculated based upon the present value of lease payments. The new standard will be effective for periods beginning after December 2020.

Note 11 - Fair value measurements

The Organization adopted FASB ASC 850, formerly, SFAS No. 157 “Fair Value Measurements” to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. This standard clarifies that fair value of certain assets and liabilities is an exit price, representing the amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Three levels of the fair value hierarchy, based on these three types of inputs are as follows:

Level 1 - Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Valuation is based on observable inputs including quoted prices in active markets for similar assets and liabilities, quoted prices for identical or similar assets and liabilities in less active markets, and model-based valuation techniques for which significant assumptions can be derived primarily from or corroborated by observable data in the market.

Level 3 - Valuation is based on model-based techniques that use one or more significant inputs or assumptions that are unobservable in the market.

All investments and liabilities were measured at fair value by level one valuation, because they generally provide the most reliable evidence of fair value.

Note 12 – Concentration of funding

The Organization received approximately 24% of approximately $227,000, of its total support and revenue from a grant from Altria Corporation, for the year ended December 31, 2019.

Note 13 - Liquidity and Availability of Financial Assets

The Organization monitors is liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses without limitations:

	2019	2018
Total financial assets (cash, cash equivalents, receivables)	$ 336 221	$ 401 284
Less those available for general expenditures within one year due to:		
Purpose restrictions	20 000	20 000
Financial assets available to meet cash needs for general expenditures within one year	$ 316 221	$ 381 284

Note 14 - Acquisition of net assets of Big Brothers Big Sisters Greater Virginia Peninsula

Effective February 28, 2018 the Organization acquired the net assets of Big Brothers Big Sisters Greater Virginia Peninsula. Big Brothers Big Sisters Greater Virginia Peninsula has dissolved and all of its assets were assumed by the Organization, including the rights, title, and interest in all related assets. Total assets received by the Organization amounted to $59,264; all of Big Brothers Big Sisters Greater Virginia Peninsula’s liabilities were paid prior to dissolution. Assets acquired were cash and cash equivalents.