

BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

**For the year ended
December 31, 2020**

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

BIG BROTHERS BIG SISTERS SERVICES, INC.

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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, 2020 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, 2020 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 14, 2020, 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, 2019, is consistent, in material respects, with the audited financial statements from which it has been derived.

Frank Barcalow CPA, PLLC

Richmond, Virginia

March 19, 2021

ph: 757.220.6626 fax: 757.220.2241

Members American Institute of Certified Public Accountants

Notes to Financial Statements**December 31, 2020****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.

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 not 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 2020 and 2019.

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, 2020****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, 2020 and 2019, 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, 2020.

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.

BIG BROTHERS BIG SISTERS SERVICES, INC.

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Notes to Financial Statements

December 31, 2020

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, 2020. Fiscal years ending on or after December 31, 2018 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, 2020 and 2019:

	<u>Fair Market Value</u>	<u>Cost</u>
Cash and money market funds	\$ 5 354	\$ 5 354
Equity funds	89 913	68 504
Fixed income funds	<u>105 500</u>	<u>102 628</u>
	<u>\$ 200 767</u>	<u>\$ 176 486</u>

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

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Notes to Financial Statements

December 31, 2020

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, 2020:

2021	\$	69 097
2022		70 232
2023		72 336
2024		<u>24 348</u>
	\$	<u>236 013</u>

Total rent expense for the current year totaled \$82,739 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, 2020 the required payments amounted to \$18,194 National provides various program services in return for these payments.

Note 6 - Contingencies

In December 2019, a novel strain of corona-virus was reported by the World Health Organization. The world wide spread this virus began to cause some business disruption in the United States in March 2020. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Organization expects this matter could negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time. The Organization received from the federal government a payroll protection loan in the amount of \$132,200 due April 2022, interest rate at 1.0%. The loan may be forgiven if used for payroll and other expenses, based upon loan program restrictions. The Organization received for forgiveness for the loan and this amount is reflected as debt extinguishment in the statement of activities.

Notes to Financial Statements**December 31, 2020****Note 7 - Net assets with donor restrictions**

Net assets with donor restrictions are available for the following purposes as of December 31, 2020 and 2019:

Pledges receivable	\$	-	\$	-
United Way allocation and contributor choice		62 529		67 996
Mentoring		123 333		201 333
Software		<u>20 000</u>		<u>20 000</u>
Net assets with donor restrictions	\$	<u>205 862</u>	\$	<u>289 329</u>

Net assets released from restrictions of \$355,500, are related to purpose restrictions being met. Net assets released from restrictions of \$130,021 are related to time restrictions, for a total of \$485,521 for the year ended December 31, 2020. 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, 2020 was \$33,966.

The Organization also has a Section 403(b) deferred compensation plan. This plan is an employer adopted plan through which employees can participate in a voluntary payroll deduction. The Organization did not contribute to the plan for the year ended December 31, 2020.

Note 9 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 19, 2021, 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 2021.

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Notes to Financial Statements
December 31, 2020

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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 an 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 23% of approximately \$200,000, of its total support and revenue from a grant from Altria Corporation, for the year ended December 31, 2020.

Note 13 - Liquidity and Availability of Financial Assets

The Organization monitors its 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:

	<u>2020</u>	<u>2019</u>
Total financial assets (cash, cash equivalents, receivables) \$	421 387	\$ 336 047
Less those available for general expenditures		
within one year due to:		
Purpose restrictions	<u>20 000</u>	<u>20 000</u>
Financial assets available to meet cash needs		
for general expenditures within one year	\$ <u>401 387</u>	\$ <u>316 047</u>

**BIG BROTHERS BIG SISTERS
SERVICES, INC.**

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Statements of Financial Position

December 31, 2020

(with comparative totals for the year ended December 31, 2019)

Assets	2020	2019
Current assets		
Cash and cash equivalents	\$ 258,859	\$ 100,051
Grants receivable	100,000	168,000
United Way allocations and contributor choice	62,528	67,996
Other assets	5,617	18,470
Total current assets	427,004	354,517
Non current assets		
Investments	200,768	226,998
Deposits	5,250	5,250
Property, equipment and improvements, net of accumulated depreciation of \$39,331 for 2020 and \$33,024 for 2019, respectively	6,896	13,203
Total noncurrent assets	212,914	245,451
Total assets	\$ 639,918	\$ 599,968
Liabilities and Net assets		
Liabilities		
Accounts payable	\$ 29,983	\$ 29,758
Accrued expenses	41,742	40,013
Note payable - payroll protection program	-	-
Unearned income	15,000	23,750
Total liabilities	86,725	93,521
Net assets		
Net assets without donor restrictions	340,435	203,915
Net assets without donor restrictions, property and equipment	6,896	13,203
Total net assets without restrictions	347,331	217,118
Net assets with donor restrictions	205,862	289,329
Total net assets	553,193	506,447
Total liabilities and net assets	\$ 639,918	\$ 599,968

See notes to the financial statements.

**BIG BROTHERS BIG SISTERS
SERVICES, INC.**

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Statement of Activities

Year Ended December 31, 2020

(with summarized financial information for the year ended December 31, 2019)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2020	Total 2019
Public support and revenue				
Contributions	\$ 170,816	\$ -	\$ 170,816	\$ 171,272
United Way allocations and designations	-	111,054	111,054	121,407
Debt extinguishment payroll protection program	132,200	-	132,200	-
Grants	-	291,000	291,000	395,050
Special events	277,161	-	277,161	269,232
Investment income	9,722	-	9,722	8,065
Unrealized gains (losses)	11,443	-	11,443	14,281
Other income	390	-	390	-
	<u>601,732</u>	<u>402,054</u>	<u>1,003,786</u>	<u>979,307</u>
Total public support and revenue				
Net assets released from restrictions	<u>485,521</u>	<u>(485,521)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>1,087,253</u>	<u>(83,467)</u>	<u>1,003,786</u>	<u>979,307</u>
Expenditures				
Program services	<u>737,067</u>	<u>-</u>	<u>737,067</u>	<u>845,714</u>
Total program services	<u>737,067</u>	<u>-</u>	<u>737,067</u>	<u>845,714</u>
Supporting services				
Development	149,499	-	149,499	141,620
General and administrative	70,475	-	70,475	82,924
Total supporting services	<u>219,973</u>	<u>-</u>	<u>219,973</u>	<u>224,544</u>
Total expenditures	<u>957,040</u>	<u>-</u>	<u>957,040</u>	<u>1,070,258</u>
Change in net assets	130,213	(83,467)	46,746	(90,951)
Net assets, beginning of the year	<u>217,118</u>	<u>289,329</u>	<u>506,447</u>	<u>597,398</u>
Net assets, end of the year	<u>\$ 347,331</u>	<u>\$ 205,862</u>	<u>\$ 553,193</u>	<u>\$ 506,447</u>

See notes to the financial statements.

**BIG BROTHER BIG SISTERS
SERVICES, INC.**

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**Statement of Functional Expenses
Year ended December 31, 2020
(with summarized totals for the year ended December 31, 2019)**

	<u>Program Services</u>	<u>Development</u>	<u>Management and General</u>	<u>Total Supporting Services</u>	<u>2020 Total Expenses</u>	<u>2019 Total Expenses</u>
Salaries	\$ 398,199	\$ 98,890	\$ 21,439	\$ 120,329	\$ 518,528	\$ 542,473
Employee benefits	86,027	10,753	10,753	21,506	107,533	105,900
Payroll taxes, etc.	<u>32,121</u>	<u>7,521</u>	<u>1,569</u>	<u>9,090</u>	<u>41,211</u>	<u>48,129</u>
Total salaries and related expenses	516,347	117,164	33,761	150,925	667,272	696,502
Professional fees and						
Contract services	33,731	16,800	20,198	36,998	70,729	49,248
Special events	14,123	8,386	-	8,386	22,509	58,256
Office Supplies	2,061	-	2,061	2,061	4,121	8,643
Telephone	4,827	-	4,827	4,827	9,653	11,045
Postage	1,688	-	-	-	1,688	5,377
Occupancy	82,739	-	-	-	82,739	90,206
Printing and public relations	2,370	-	-	-	2,370	13,198
Travel and conferences	5,268	659	659	1,317	6,585	25,875
National Dues	18,194	-	-	-	18,194	16,022
Equipment rental and maintenance	21,880	2,735	2,735	5,470	27,350	29,014
Insurance	16,877	-	-	-	16,877	16,438
Depreciation	6,307	-	-	-	6,307	7,260
Bad debts	-	-	-	-	-	7,350
Miscellaneous	<u>10,656</u>	<u>3,755</u>	<u>6,235</u>	<u>9,990</u>	<u>20,646</u>	<u>35,824</u>
Total expenses	<u>\$ 737,067</u>	<u>\$ 149,499</u>	<u>\$ 70,475</u>	<u>\$ 219,973</u>	<u>\$ 957,040</u>	<u>\$ 1,070,258</u>

See notes to the financial statements.

**BIG BROTHER BIG SISTERS
SERVICES, INC.**

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**Statements of Cash Flows
Year Ended December 31, 2020
(with comparative totals for the year ended December 31, 2019)**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 46,746	\$ (90,951)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	6,306	7,260
Inkind income	15,887	15,488
Inkind expenses	(15,887)	(15,488)
Debt extinguishment	(132,200)	-
Bad debt expenses	-	7,900
Loss from disposal of equipment	-	433
Unrealized (gains) losses on investments	(11,443)	(14,281)
(Increase) decrease in contributions receivable	-	-
(Increase) decrease in grants receivable	68,000	(50,000)
(Increase) decrease in United Way allocation and contributor choice	5,468	40,604
(Increase) decrease in other assets	12,853	(10,439)
Increase (decrease) in accounts payable and accrued liabilities	1,954	24,344
Increase (decrease) in unearned income	(8,750)	23,750
	<u>(11,066)</u>	<u>(61,380)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of equipment	-	-
Sale of investments	58,225	-
Purchase of investments	(20,551)	(5,353)
	<u>37,674</u>	<u>(5,353)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from note payable	132,200	-
	<u>158,808</u>	<u>(66,733)</u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at beginning of year	<u>100,051</u>	<u>166,784</u>
Cash and cash equivalents at end of year	\$ <u><u>258,859</u></u>	\$ <u><u>100,051</u></u>

See notes to the financial statements.