BIG BROTHERS BIG SISTERS SERVICES, INC.

Financial Statements

For the year ended
December 31, 2022

(with comparative financial information for the
year ended December 31, 2021)

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

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters Services, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Services, Inc. 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 Services, Inc.'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 Services, Inc.'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 Services, Inc.'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.

Frank Barcalow CPA, PLLC

Quinton, Virginia
April 5, 2023

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statements of Financial Position
December 31, 2022
(with comparative totals for the year ended December 31, 2021)

Assets		**2022**		**2021**
Current assets				
Cash and cash equivalents	$	64,072	$	179,117
Grants receivable		80,070		87,500
United Way allocations and contributor choice		52,750		55,500
Other assets		-		10,535
Total current assets		196,892		332,652
Non current assets				
Investments		194,046		219,869
Deposits		5,280		5,250
Right of use, Leased asset, net of accumulated amortization		103,612		
Property, equipment and improvements, net of accumulated depreciation of $29,192 for 2022 and $34,739 for 2021, respectively		507		1,724
Total noncurrent assets		303,445		226,843
Total assets	$	500,337	$	559,495
Liabilities and Net assets				
Liabilities				
Accounts payable	$	16,097	$	12,314
Accrued expenses		6,984		77,755
Right of use asset, Lease liability		103,612		-
Loan payable		60,988		-
Unearned income		-		1,000
Total liabilities		187,681		91,069
Net assets				
Net assets without donor restrictions		168,596		280,368
Net assets without donor restrictions, property and equipment		507		1,724
Total net assets without restrictions		169,103		282,092
Net assets with donor restrictions		143,553		186,334
Total net assets		312,656		468,426
Total liabilities and net assets	$	500,337	$	559,495

See notes to the financial statements.

BIG BROTHERS BIG SISTERS SERVICES, INC.

Statement of Activities
Year Ended December 31, 2022
(with summarized financial information for the year ended December 31, 2021)

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total 2022	Total 2021
Public support and revenue				
Contributions	$ 100,672	$ -	$ 100,672	$ 139,819
Contributions - in-kind	15,000	-	15,000	15,488
United Way allocations and designations	-	96,025	96,025	97,707
Debt extinguishment payroll protection program	-	-	-	-
Grants	-	259,315	259,315	350,367
Special events	176,593	-	176,593	226,935
Investment income	5,947	-	5,947	6,318
Unrealized/realized gains (losses)	(31,766)	-	(31,766)	12,793
Other income	27,755	-	27,755	-
Total public support and revenue	294,201	355,340	649,541	849,427
Net assets released from restrictions	398,121	(398,121)	-	-
Total public support and revenue	692,322	(42,781)	649,541	849,427
Expenditures				
Program services	650,293	-	650,293	689,470
Total program services	650,293	-	650,293	689,470
Supporting services				
Development	86,896	-	86,896	195,887
General and administrative	68,122	-	68,122	48,836
Total supporting services	155,018	-	155,018	244,724
Total expenditures	805,311	-	805,311	934,194
Change in net assets	(112,989)	(42,781)	(155,770)	(84,767)
Net assets, beginning of the year	282,092	186,334	468,426	553,193
Net assets, end of the year	$ 169,103	$ 143,553	$ 312,656	$ 468,426

BIG BROTHER BIG SISTERS SERVICES, INC.

Statement of Functional Expenses
Year ended December 31, 2022
(with summarized totals for the year ended December 31, 2021)

	Program Services	Development	Management and General	Total Supporting Services	2022 Total Expenses	2021 Total Expenses
Salaries	$ 364,535	$ 58,320	$ 36,310	$ 94,630	$ 459,165	$ 475,514
Employee benefits	44,257	3,680	2,392	6,072	50,329	133,469
Payroll taxes, etc.	26,690	4,399	2,707	7,106	33,796	35,710
Total salaries and related expenses	435,482	66,399	41,409	107,808	543,290	644,693
Professional fees and Contract services	28,816	1,717	15,374	17,091	45,907	37,800
Special events	13,440	10,328	643	10,971	24,411	59,708
Office Supplies	1,153	109	109	218	1,371	7,469
Telephone	7,267	564	564	1,128	8,395	9,168
Postage	1,016	1,017	-	1,017	2,033	2,613
Occupancy	8,747	3,498	3,498	6,996	15,743	85,760
Printing and public relations	-	-	-	-	-	942
Travel and conferences	13,468	256	256	512	13,980	3,774
National Dues	17,946	-	-	-	17,946	17,892
Equipment rental and maintenance	22,933	-	-	-	**22,933**	27,289
Insurance	19,990	1,111	1,111	2,222	**22,212**	17,689
Depreciation	1,217	-	-	-	**1,217**	4,684
Amortization	63,142	-	-	-	63,142	-
Interest	6,594	-	2,771	2,771	9,365	-
Bad debts	-	-	-	-	-	-
Miscellaneous	9,082	1,897	2,387	4,284	13,366	14,713
Total expenses	$ 650,293	$ 86,896	$ 68,122	$ 155,018	$ 805,311	$ 934,194

See notes to the financial statements.

BIG BROTHER BIG SISTERS SERVICES, INC.

Statements of Cash Flows
Year Ended December 31, 2022
(with comparative totals for the year ended December 31, 2021)

	2022	2021
Cash flows from operating activities		
Change in net assets	$ (155,770)	$ (84,767)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	64,359	4,684
In-kind income	15,000	15,488
In-kind expenses	(15,000)	(15,488)
Debt extinguishment	-	-
Loss from disposal of equipment	-	488
Unrealized (gains) losses on investments	19,587	(4,739)
Realized (gains) losses on investments	9,627	(8,054)
(Increase) decrease in grants receivable	7,430	12,500
(Increase) decrease in United Way allocation and contributor choice	2,750	7,028
(Increase) decrease in other assets	10,505	4,407
Increase (decrease) in accounts payable and accrued liabilities	(66,988)	9,019
Increase (decrease) in unearned income	(1,000)	(14,000)
Net cash provided by (used in) operating activities	(109,500)	(73,434)
Cash flows from investing activities		
Sale of investments	60,060	63,347
Purchase of investments	(63,451)	(69,655)
Net cash provided by (used in) investing activities	(3,391)	(6,308)
Cash flows from financing activities		
Principal payments for lease	(63,142)	-
Payments for note payable	(13,012)	-
Proceeds from note payable	74,000	-
Net cash provided by (used in) financing activities	(2,154)	-
Net increase (decrease) in cash and cash equivalents	(115,045)	(79,742)
Cash and cash equivalents at beginning of year	179,117	258,859
Cash and cash equivalents at end of year	$ 64,072	$ 179,117

Notes to Financial Statements
December 31, 2022

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 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. Total expenses for advertising for 2022 and 2021 were $50 and $202, respectively.

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, leased assets, 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. Leased assets are capitalized for all leases with a term greater than one year. 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, 2022

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, 2022 and 2021, 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 $15,000 for donated space at December 31, 2022.

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.

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, 2022. Fiscal years ending on or after December 31, 2019 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, 2022 and 2021:

	Fair Market Value	Cost
Cash and money market funds	$ 4,412	$ 4,412
Equity funds	63,946	47,132
Other exchanged traded funds	9,500	9,543
Fixed income funds	116,188	129,119
	$ 194,046	$ 190,206

	Fair Market Value	Cost
Cash and money market funds	$ 9,644	$ 9,644
Equity funds	91,821	66,127
Other exchange traded funds	9,574	9,566
Fixed income funds	108,830	107,627
	$ 219,869	$ 192,994

Note 4 – Operating lease

The Organization leased its office space under a lease, expiring July 2024. The monthly payment is $5,912 for the lease term with 3% escalation. The weighted average discount rate of 3% represents the risk-free discount rate using a comparable interest rate with other similar financing arrangements.

Total right of use asset and lease liability are as follows:

Lease asset - right-of use	$ 103 612
Lease liability - right of use (current portion, 64,874)	$103 612

Total lease costs for the year 2022 are as follows:

Interest expense	$6 594
Amortization of right of use asset	63 142
	$69 736

Future minimum lease payments required under operating leases are as follows:

2023	$ 71 822
2024	42 263
Total lease payments	114 085
Less input interest	(10 473)
Present value of liability	$ 103 612

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, 2022 the required payments amounted to $17,946. 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 continuing, and there is 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.

Note 7 - Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes as of December 31, 2022 and 2021:

	2022	2021
Pledges receivable	$ -	$ -
United Way allocation and contributor choice	52 720	55 500
Mentoring	70 833	110 834
Software	20 000	20 000
Net assets with donor restrictions	$ 143 553	$ 186 334

Net assets released from restrictions of $342,621, are related to purpose restrictions being met. Net assets released from restrictions of $55,500 are related to time restrictions, for a total of $398,121 for the year ended December 31, 2022. 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 closed the pension plan during 2022. The Organization had accrued $70,000 in the prior year in order to close this plan. As a result the Organization agreed to $74,000 loan in order to fund the pension cost. After a final close out of this plan, a refund was received in the amount of $24,212 and in included in other income.

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 contributed to the plan for the year ended December 31, 2022 a total of $6,595.

Note 9 - Long-term Debt

The Organization has a $74,000 secured loan with a due date of August 25, 2027. The terms include monthly payments of principal and interest in the amount of $1,031, beginning September 2022 and ending with a final payment of $24,632 August 2027. Interest rate will be 4.5%. Collateral includes a bank account held with the financial institution. The note balance at December 31, 2022 was $60,988.

The following principal payments are due as follows:

2023	$ 9 790
2024	10 254
2025	10 731
2026	30 213
Total long term debt	$ 60 988

Total interest paid on the above debt was $2,771.

Notes to Financial Statements
December 31, 2022

Note 10 - Subsequent events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 5, 2023, the date the financial statements were issued.

Subsequent to the year ended December 31, 2022, the Organization terminated its office lease, which was set to expire July 2024. The Organization plans to move its office space during the month of June 2023. Also the Organization applied for and has been approved to receive employee retention tax credits during 2023, in the amount of approximately $198,000 as a result of filings amended 2021 payroll tax returns.

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 19% of approximately $121,648, of its total support and revenue from a grant from Altria Corporation, for the year ended December 31, 2022.

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:

	2022	2021
Total financial assets (cash, cash equivalents, receivables)	$ 196 892	$ 322 177
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	$ 176 892	$ 302 117