

**BIG BROTHERS BIG SISTERS  
OF PUGET SOUND**

FINANCIAL REPORT

AUGUST 31, 2019

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Big Brothers Big Sisters of Puget Sound  
Seattle, Washington

We have audited the accompanying financial statements of Big Brothers Big Sisters of Puget Sound, which comprise the statement of financial position as of August 31, 2019, and the related statement 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; 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. 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 of Puget Sound as of August 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.

*Peterson Sullivan LLP*

December 11, 2019

**BIG BROTHERS BIG SISTERS OF PUGET SOUND**

STATEMENT OF FINANCIAL POSITION

August 31, 2019

ASSETS	
Current Assets	
Cash	\$ 1,588,090
Pledges and grants receivable, net of allowance	244,517
Other receivables	26,942
Prepaid expenses and other assets	<u>210,816</u>
Total current assets	2,070,365
Investments	872,752
Pledges and Grants Receivable, long term, net of discount	59,573
Property and Equipment, net	<u>1,026,474</u>
Total assets	<u><u>\$ 4,029,164</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 65,157
Deferred revenue	38,000
Accrued expenses and other liabilities	<u>182,763</u>
Total current liabilities	285,920
Net Assets	
Without donor restrictions	
Undesignated	2,430,951
Board-designated	<u>872,752</u>
Total without donor restrictions	3,303,703
With donor restrictions	<u>439,541</u>
Total net assets	<u>3,743,244</u>
Total liabilities and net assets	<u><u>\$ 4,029,164</u></u>

See Notes to Financial Statements

## BIG BROTHERS BIG SISTERS OF PUGET SOUND

### STATEMENT OF ACTIVITIES For the Year Ended August 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants and donor contributions	\$ 921,179	\$ 1,340,571	\$ 2,261,750
In-kind contributions	108,317		108,317
Special events	1,210,226	5,000	1,215,226
Investment income	6,428		6,428
Revenue from sales of donated household goods	1,113,759		1,113,759
Other revenue	54,596		54,596
Net assets released from donor restrictions	1,029,507	(1,029,507)	
Total support and revenue	4,444,012	316,064	4,760,076
Direct costs of special events	(351,029)		(351,029)
Direct costs of sales of donated household goods	(762,559)		(762,559)
	3,330,424	316,064	3,646,488
Expenses			
Program services	1,949,578		1,949,578
Fundraising	467,500		467,500
Management and general	269,442		269,442
Total expenses	2,686,520		2,686,520
<b>Change in net assets</b>	<b>643,904</b>	<b>316,064</b>	<b>959,968</b>
Net Assets, beginning of year	2,659,799	123,477	2,783,276
Net Assets, end of year	\$ 3,303,703	\$ 439,541	\$ 3,743,244

See Notes to Financial Statements

**BIG BROTHERS BIG SISTERS OF PUGET SOUND**

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2019

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries, benefits, and payroll taxes, including 401(k) expense of \$41,393	\$ 1,436,667	\$ 368,270	\$ 186,494	\$ 1,991,431
Event food and rentals		187,366		187,366
Professional fees	93,913	31,771	44,507	170,191
In-kind expenses	76,893	21,554	8,132	106,579
Occupancy costs	65,805	7,184	3,920	76,909
Technology and equipment costs	37,890	21,581	5,583	65,054
Contract services		57,979		57,979
Event materials and supplies		52,629		52,629
Depreciation	31,121	6,442	3,377	40,940
Insurance	30,759	2,827	4,078	37,664
Participant expenses	30,442	189		30,631
National/regional dues	25,609		135	25,744
Printing and publications	18,456	4,831	1,695	24,982
Office supplies and expense	21,427	1,160	1,380	23,967
Staff recruitment and training	11,513	9,431	932	21,876
Bad debt expense		20,317		20,317
Volunteer screening and expenses	19,784		122	19,906
Miscellaneous	6,177	10,915	1,909	19,001
Telephone	15,232	1,421	1,253	17,906
Conferences and meetings	11,069	2,195	4,174	17,438
Travel, auto, and meals	14,449	1,486	345	16,280
Credit card and bank fees		7,486	1,131	8,617
Postage	2,372	1,495	275	4,142
<b>Total expenses</b>	<b>1,949,578</b>	<b>818,529</b>	<b>269,442</b>	<b>3,037,549</b>
Less: special event expenses		351,029		351,029
<b>Total expenses included in expense section on the statement of activities</b>	<b><u><u>\$ 1,949,578</u></u></b>	<b><u><u>\$ 467,500</u></u></b>	<b><u><u>\$ 269,442</u></u></b>	<b><u><u>\$ 2,686,520</u></u></b>

See Notes to Financial Statements

## BIG BROTHERS BIG SISTERS OF PUGET SOUND

### STATEMENT OF CASH FLOWS For the Year Ended August 31, 2019

Cash Flows from Operating Activities	
Change in net assets	\$ 959,968
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	62,534
Loss on investments	195
Bad debt expense	20,317
Changes in operating assets and liabilities	
Receivables	(196,869)
Prepaid expenses and other assets	(14,252)
Accounts payable	9,852
Accrued expenses and other liabilities	14,096
Deferred revenue	(64,000)
	<hr/>
Net cash flows from operating activities	791,841
Cash Flows from Investing Activities	
Additions to property and equipment	(78,566)
Purchase of investments (including reinvested interest)	(7,498)
	<hr/>
Net cash flows from investing activities	(86,064)
	<hr/>
<b>Net change in cash and cash equivalents</b>	<b>705,777</b>
Cash, beginning of year	<hr/> 882,313
Cash, end of year	<hr/> <hr/> \$ 1,588,090

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1. Organization and Significant Accounting Policies**

#### **Organization**

Big Brothers Big Sisters of Puget Sound ("BBBSPS" or "the Organization") is a nonprofit organization whose mission is to create and support one-to-one mentoring relationships that ignite the power and promise of youth. Its vision is that all youth achieve their full potential. BBBSPS is an affiliate of Big Brothers Big Sisters of America ("BBBSA"). The Organization's service area includes King, Pierce, Jefferson, Kitsap, and Clallam Counties in the state of Washington; it currently has offices in King and Pierce Counties.

The Organization has provided mentoring services to children and youth in its service area for over 60 years. Using community-based, school-based, and career-centered approaches, BBBSPS mentoring programs boost academic achievement and social-emotional development for children and youth.

The mentoring program funding is provided through donor contributions, grants from foundations, corporations, governments, BBBSA, and special events. In addition, the Organization operates a Donation Center, which receives donated household goods and resells them. The net proceeds from the resold goods are used to fund mentoring programs.

Beginning January 1, 2018, the Organization changed its financial reporting cycle from a calendar year-end to a fiscal year ending August 31, in order to better align its financial planning and reporting processes with its annual cycle of revenue and programmatic activities. The year ended August 31, 2019, was the first full year on the new cycle.

#### **Financial Statement Presentation**

BBBSPS reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

#### **Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of unexpended contributions restricted for particular purposes or time periods. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purpose or as time restrictions are met.



Net assets with donor restrictions consist of the following at August 31, 2019:

Time restrictions	\$	115,000
Mentoring programs		302,863
Other projects		21,678
		<hr/>
	\$	439,541
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### **Board-Designated Net Assets**

BBBSPS maintains a board-designated reserve fund, the objective of which is to help ensure the long-term financial stability of BBBSPS operations. The reserve fund is held and directed separately from operating funds. The reserve fund is invested at the discretion of the Finance Committee of the Board, consistent with the Organization's investment policy. As of August 31, 2019, the reserve fund was invested in cash, money market funds, and certain bond funds.

### **Fair Value Measurements**

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

### **Cash**

Cash consists of cash held in banks, which, at times, may include deposits in excess of federally insured limits. Cash and cash equivalents held in bank and brokerage accounts as part of the reserve fund are presented as investments on the statement of financial position.

### **Investments**

Investments are recorded at fair value using Level 1 inputs determined by the quoted market price of these securities traded on national exchanges. Cash and cash equivalents held with the reserve fund are presented as part of investments in these financial statements.

### **Property and Equipment**

Purchased property and equipment are stated at cost. Donated property and equipment are recorded at estimated fair value at the date of gift. Depreciation is recorded on the straight-line method over estimated useful lives of the assets ranging from 3 to 39 years. BBBSPS capitalizes property and equipment with a cost of \$1,000 or more and a useful life of one year or more.

### **Pledges and Grants Receivable**

Pledges receivable consist of unconditional promises to give and are recognized when the pledge is made. Pledges that are expected to be received within one year of the financial statement date are valued at net realizable value (the face amount of the pledge less an allowance based on collectibility). Pledges that are expected to be received more than one year after the financial statement date are reflected at the present value of their estimated future cash flows after any allowance for uncollectible amounts, using a risk-adjusted discount rate applicable to the years in which the promises are received.

Management reviews the collectibility of receivables on a periodic basis and determines the appropriate amount of any allowance. BBBSPS charges off receivables to the allowance when management determines that a receivable is not collectible. Management has established an allowance for uncollectible receivables of \$11,510 as of August 31, 2019. The allowance is netted with the pledges and grants receivable balance on the statement of financial position.

At August 31, 2019, receivables from three organizations accounted for 63% of pledges and grants receivable.

### **Grants and Donor Revenue**

Contributions are recognized as revenue at the date received or unconditionally promised and are recorded as support with or without restrictions depending on the existence and nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions or promises to give that are subject to donor-imposed conditions are not recognized as revenue until the period when the conditions are met.

There were no donors with contributions above 10% of the Organization's total revenue in the year ended August 31, 2019.

### **Special Event Revenue**

Throughout the period, the Organization hosts a number of events to raise funds for its operations. Revenue is recognized at the time of the event except for any amounts solicited in conjunction with the event which are given as unconditional contributions at the time of the gift.

### **In-Kind Contributions**

BBBSPS recognizes donated services if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

Volunteers contribute thousands of hours of their time annually as Big Brothers and Big Sisters. Each volunteer Big Brother or Big Sister spends from 4 to 12 hours every month with his or her Little Brother or Little Sister. Management estimates that volunteers contributed 83,000 hours for the year ended August 31, 2019. Volunteer mentor services contributed to BBSPS do not meet criteria for financial statement recognition in conformity with accounting principles generally accepted in the United States and, therefore, are not reflected in the accompanying financial statements. The BBSPS program model of using community volunteers to provide program services has an impact on the Organization's fundraising and administration percentage, which was 27% for 2019 based on the statement of activities. An approximate economic value for this volunteer time contributed in 2019 for Washington State is \$31.72 per hour using the most recent data released by the U.S. Bureau of Labor Statistics. Applying this rate, BBSPS volunteer mentor services can be valued at \$2,632,760 for 2019. Including this economic value of donated mentor services as part of program expenses would result in the calculation of fundraising and administration expenses as a percentage of total organization expenses of 14% for 2019.

In addition, the Donation Center receives donated household items and resells them. Revenue for these in-kind contributions of household items is recognized when the household items are sold.

### **Information Regarding Liquidity and Availability**

Financial assets available for general expenditure within one year of the date of the statement of financial position comprise the following:

Cash	\$ 1,588,090
Investments convertible to cash within one year	872,752
Accounts and donations receivable	<u>331,032</u>
Total financial assets	2,791,874
Less: those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions	
Restricted by donor with time or purpose restrictions	(439,541)
Add back: amounts available for use within one year	<u>316,275</u>
	(123,266)
Board designations:	
Amounts set aside for liquidity reserve	<u>(872,752)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,795,856</u></u>

The Organization regularly monitors liquidity required to meet its operating needs. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing programmatic activities as well as the services that support those activities to be general expenditures. BBSPS receives contributions with donor restrictions, and financial assets not available to meet general expenditures within one year may include assets with donor restrictions that are not expected to be met within the following year.

The Organization's major fundraising event, its annual gala dinner and auction, is held in the Fall. The net auction revenue generated has supported over 31% of cash expenses incurred by BBBSPS during each of the last three fiscal years.

The Organization has a \$500,000 line of credit (see Note 5) that can be drawn upon in the event of an unanticipated liquidity need. In addition, the Organization maintains an operating reserve (see Note 2), which had a balance of \$872,752 at August 31, 2019, that is not included in the total financial assets available to meet cash needs within one year. This is a board-designated reserve with the objective of maintaining a minimum of three months' worth of operating cash needs in low-risk cash, cash equivalents, and fixed-income securities to meet unexpected financial and liquidity needs. This reserve could be drawn upon with the approval of the governing board.

### **Income Taxes**

BBBSPS is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

### **Functional Allocation of Expenses**

The costs of providing the various programs and other services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services that received benefit. Expenses that benefit more than one function are allocated using a reasonable basis for the particular expense being allocated. Major expenses that are allocated include office and occupancy expenses, information technology support and depreciation, which are allocated on the basis of personnel headcount, as well as some salaries and fringe and related expenses, which are allocated on the basis of estimates of time and effort.

### **Subsequent Events**

BBBSPS has evaluated subsequent events through the date these financial statements were available to be issued, which was December 11, 2019.

### **Note 2. Investments**

The purpose of the investments is to provide long-term financial support for BBBSPS, so the Organization has elected to present investments as a noncurrent asset.

Investments consist of the following at August 31, 2019:

Cash and cash equivalents	\$	802,142
Bond funds		70,610
		<hr/>
	\$	872,752
		<hr/> <hr/>

### Note 3. Pledges and Grants Receivable

Pledges and grants receivable are as follows at August 31, 2019:

Receivable in less than one year	\$	251,527
Less: allowance for uncollectible receivables		<u>(7,010)</u>
Total current receivables		244,517
Receivables in more than one year		65,000
Less: allowance for uncollectible receivables		(4,500)
Less: discount		<u>(927)</u>
Total noncurrent receivables	\$	<u><u>59,573</u></u>

### Note 4. Property and Equipment

Property and equipment consist of the following at August 31, 2019:

Furniture and equipment	\$	303,174
Improvements		471,306
Buildings		680,841
Land		<u>298,429</u>
		1,753,750
Less: accumulated depreciation		<u>(727,276)</u>
	\$	<u><u>1,026,474</u></u>

### Note 5. Line of Credit

Under a line of credit agreement with a bank, BBSPS may borrow up to \$500,000 with interest accruing at the greater of the bank's floating rate plus 0% or the floor rate of 5.50%. The line of credit matures on March 15, 2020. The balance on the line of credit was zero at August 31, 2019.

**Note 6. Commitments and Contingencies**

BBBSPS leases office space and equipment under operating lease agreements. Rent expense was \$137,001 for the period ended August 31, 2019. Future minimum lease payments under the agreements are as follows for the years ending August 31:

2020	\$	115,290
2021		67,932
2022		54,726
2023		21,300
2024		2,967
		<hr/>
	\$	262,215
		<hr/> <hr/>

BBBSPS is, from time to time, involved in various litigation and legal matters, which are defended and handled in the ordinary course of business. The costs of any claims with respect to these matters, if any, are reflected in the financial statements at the time such costs can reasonably be estimated.

**Note 7. Donation Center**

Direct costs of sales of donated household goods are shown as a reduction in total support and revenue in the statement of activities. The following is a detail of the direct costs of sales of donated household goods for the period ended August 31, 2019:

Salaries, benefits, and payroll taxes	\$	466,716
Truck expenses		124,890
Miscellaneous		50,730
Partner revenue share		26,490
Depreciation		21,594
Occupancy		21,472
Materials and supplies		17,374
Disposal costs		16,981
Insurance		14,404
Repair and maintenance		1,908
		<hr/>
Total operating expenses	\$	762,559
		<hr/> <hr/>