

BIG BROTHERS BIG SISTERS OF PUGET SOUND
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2021 AND 2020



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**BIG BROTHERS BIG SISTERS OF PUGET SOUND
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INDEPENDENT AUDITORS' REPORT

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, 2021, 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.

Auditors' 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 auditors' 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.

Board of Directors
Big Brothers Big Sisters of Puget Sound

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, 2021, 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.

Other Matter

The 2020 financial statements of Big Brothers Big Sisters of Puget Sound were audited by other auditors whose report dated May 28, 2021, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Seattle, Washington
December 17, 2021

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,676,288	\$ 1,990,007
Investments, Short-Term	25,844	11,175
Pledges and Grants Receivable, Net of Allowance	247,522	626,719
Other Receivables	5,355	19,265
Prepaid Expenses, Inventory, and Other Assets	233,358	241,772
Total Current Assets	3,188,367	2,888,938
OTHER ASSETS		
Investments, Long-Term	1,031,437	1,030,068
Pledges and Grants Receivable, Long-Term, Net of Discount	51,068	-
Property and Equipment, Net	954,732	1,028,431
Total Assets	\$ 5,225,604	\$ 4,947,437
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 145,549	\$ 138,512
Deferred Revenue	95,834	110,900
Accrued Expenses and Other Liabilities	228,762	169,369
Paycheck Protection Program Loan, Current Portion	457,820	86,365
Total Current Liabilities	927,965	505,146
LONG TERM LIABILITIES		
Long Term Lease Payable	33,157	-
Paycheck Protection Program Loan, Net of Current Portion	-	370,763
Total Liabilities	961,122	875,909
NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,820,181	2,386,111
Board-Designated	1,057,281	1,041,243
Total Without Donor Restrictions	3,877,462	3,427,354
With Donor Restrictions	387,020	644,174
Total Net Assets	4,264,482	4,071,528
Total Liabilities and Net Assets	\$ 5,225,604	\$ 4,947,437

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENTS OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Donor Contributions	\$ 703,470	\$ 998,894	\$ 1,702,364
In-Kind Contributions	149,818	-	149,818
Special Events	757,677	-	757,677
Investment Income	1,542	-	1,542
Revenue from Sales of Donated Household Goods	750,938	-	750,938
Other Revenue	42,429	-	42,429
Gain on Forgiveness of Paycheck Protection Program Loan	457,128	-	457,128
Net Assets Released from Donor Restrictions	1,256,048	(1,256,048)	-
Total Support and Revenue	<u>4,119,050</u>	<u>(257,154)</u>	<u>3,861,896</u>
Direct Costs of Special Events	(127,875)	-	(127,875)
Direct Costs of Sales of Donated Household Goods	(535,463)	-	(535,463)
	<u>3,455,712</u>	<u>(257,154)</u>	<u>3,198,558</u>
EXPENSES			
Program Services	2,180,972	-	2,180,972
Fundraising	404,402	-	404,402
Management and General	420,230	-	420,230
Total Expenses	<u>3,005,604</u>	<u>-</u>	<u>3,005,604</u>
CHANGE IN NET ASSETS	450,108	(257,154)	192,954
Net Assets - Beginning of Year	<u>3,427,354</u>	<u>644,174</u>	<u>4,071,528</u>
NET ASSETS - END OF YEAR	<u><u>\$ 3,877,462</u></u>	<u><u>\$ 387,020</u></u>	<u><u>\$ 4,264,482</u></u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Donor Contributions	\$ 897,941	\$ 1,450,610	\$ 2,348,551
In-Kind Contributions	82,046	-	82,046
Special Events	1,244,629	-	1,244,629
Investment Income	17,403	-	17,403
Revenue from Sales of Donated Household Goods	777,998	-	777,998
Other Revenue	40,608	-	40,608
Net Assets Released from Donor Restrictions	1,245,977	(1,245,977)	-
Total Support and Revenue	<u>4,306,602</u>	<u>204,633</u>	<u>4,511,235</u>
Direct Costs of Special Events	(267,405)	-	(267,405)
Direct Costs of Sales of Donated Household Goods	(634,880)	-	(634,880)
	<u>3,404,317</u>	<u>204,633</u>	<u>3,608,950</u>
EXPENSES			
Program Services	2,357,544	-	2,357,544
Fundraising	480,332	-	480,332
Management and General	442,790	-	442,790
Total Expenses	<u>3,280,666</u>	<u>-</u>	<u>3,280,666</u>
CHANGE IN NET ASSETS	123,651	204,633	328,284
Net Assets - Beginning of Year	<u>3,303,703</u>	<u>439,541</u>	<u>3,743,244</u>
NET ASSETS - END OF YEAR	<u>\$ 3,427,354</u>	<u>\$ 644,174</u>	<u>\$ 4,071,528</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2021**

	Program Services	Fundraising	Management and General	Total
Salaries, Benefits, and Payroll Taxes, Including 401(k) Expense of \$32,686	\$ 1,609,513	\$ 244,272	\$ 50,812	\$ 1,904,597
Event Food and Rentals	-	31,403	-	31,403
Professional Fees	259,530	62,906	301,534	623,970
In-Kind Expenses	54,014	32,134	14,321	100,469
Occupancy Costs	53,310	5,115	7,247	65,672
Technology and Equipment Costs	8,620	25,299	13,734	47,653
Contract Services	-	41,652	-	41,652
Event Materials and Supplies	-	54,820	-	54,820
Depreciation	45,871	7,062	7,199	60,132
Insurance	36,504	7,509	7,884	51,897
Participant Expenses	9,257	285	51	9,593
National/Regional Dues	44,170	883	718	45,771
Printing and Publications	192	1,740	55	1,987
Office Supplies and Expense	2,924	386	490	3,800
Staff Recruitment and Training	12,091	2,410	5,395	19,896
Bad Debt Expense	-	-	-	-
Volunteer Screening and Expenses	14,819	-	-	14,819
Miscellaneous	7,672	1,386	824	9,882
Telephone and Internet	17,257	2,712	2,107	22,076
Conferences and Meetings	941	444	2,093	3,478
Travel, Auto, and Meetings	816	61	129	1,006
Credit Card and Bank Fees	2,090	9,487	5,483	17,060
Postage	1,381	311	154	1,846
Total Expenses	2,180,972	532,277	420,230	3,133,479
Less: Special Event Expenses	-	127,875	-	127,875
Total Expenses Included in Expense Section on the Statement of Activities	\$ 2,180,972	\$ 404,402	\$ 420,230	\$ 3,005,604

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2020**

	<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 \$41,227	\$ 1,703,405	\$ 300,217	\$ 179,926	\$ 2,183,548
Event Food and Rentals	-	165,814	-	165,814
Professional Fees	238,063	75,734	224,112	537,909
In-Kind Expenses	42,574	17,728	153	60,455
Occupancy Costs	63,646	7,954	3,231	74,831
Technology and Equipment Costs	52,343	22,815	12,644	87,802
Contract Services	-	54,750	-	54,750
Event Materials and Supplies	-	53,196	-	53,196
Depreciation	34,540	8,361	3,243	46,144
Insurance	34,964	3,534	4,021	42,519
Participant Expenses	23,165	35	-	23,200
National/Regional Dues	42,085	-	-	42,085
Printing and Publications	1,356	3,076	1,261	5,693
Office Supplies and Expense	4,830	470	589	5,889
Staff Recruitment and Training	46,366	9,816	4,193	60,375
Bad Debt Expense	-	12,997	-	12,997
Volunteer Screening and Expenses	21,721	-	88	21,809
Miscellaneous	16,416	1,116	357	17,889
Telephone and Internet	18,995	2,333	1,518	22,846
Conferences and Meetings	816	512	4,017	5,345
Travel, Auto, and Meetings	9,999	1,066	526	11,591
Credit Card and Bank Fees	-	4,453	2,582	7,035
Postage	2,260	1,760	329	4,349
Total Expenses	2,357,544	747,737	442,790	3,548,071
Less: Special Event Expenses	-	267,405	-	267,405
Total Expenses Included in Expense Section on the Statement of Activities	<u>\$ 2,357,544</u>	<u>\$ 480,332</u>	<u>\$ 442,790</u>	<u>\$ 3,280,666</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 192,954	\$ 328,284
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	(457,128)	-
Depreciation	77,492	70,957
(Gain) Loss on Investments	289	(10,565)
Loss on Sale of Equipment	7,758	-
Bad Debt Expense	-	(12,997)
(Increase) Decrease in Assets:		
Receivables	342,039	(301,955)
Prepaid Expenses and Other Assets	8,414	(30,956)
Increase (Decrease) in Liabilities:		
Accounts Payable	7,037	73,355
Accrued Expenses and Other Liabilities	59,393	(13,394)
Long Term Lease Payable	33,157	-
Deferred Revenue	(15,066)	72,900
Net Cash Provided by Operating Activities	256,339	175,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional to Property and Equipment	(11,551)	(72,914)
Purchase of Investments (Including Reinvested Interest)	(16,327)	(157,926)
Net Cash Used by Investing Activities	(27,878)	(230,840)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	457,820	457,128
Net Cash Provided by Financing Activities	457,820	457,128
NET CHANGE IN CASH AND CASH EQUIVALENTS	686,281	401,917
Cash - Beginning of Year	1,990,007	1,588,090
CASH - END OF YEAR	\$ 2,676,288	\$ 1,990,007
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of PPP Loan	\$ 457,128	\$ -

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020**

NOTE 1 ORGANIZATION AND SUMMARY OF 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.

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 of America 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:

	2021	2020
Time Restrictions	\$ 322,267	\$ 41,864
Mentoring Programs	64,753	602,310
Total	\$ 387,020	\$ 644,174

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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, 2021 and 2020, the reserve fund was invested in cash, money market funds, mutual 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 statements 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 collectability). 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 collectability 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 \$16,884 and \$11,342 as of August 31, 2021 and 2020, respectively. The allowance is netted with the pledges and grants receivable balance on the statements of financial position.

At August 31, 2021 and 2020, receivables from three and two organizations accounted for 43% and 74% of pledges and grants receivable, respectively.

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 two donors contributing 9% of total revenues during the year ended August 31, 2021. There were two donors contributing 44% of total revenues during the year ended August 31, 2020.

Special Event Revenue

Throughout the period, the Organization hosts a number of events to raise funds for its operations. Revenue related to these events is recognized at the time of the event. Any amounts given as unconditional contributions outside of events are recorded at the time of the gift.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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 85,000 and 82,000 hours for the years ended August 31, 2021 and 2020, respectively. Volunteer mentor services contributed to BBBSPS do not meet criteria for financial statement recognition in conformity with accounting principles generally accepted in the United States of America and, therefore, are not reflected in the accompanying financial statements. The BBBSPS program model of using community volunteers to provide program services has an impact on the Organization's fundraising and administration percentage, which was 27% and 28% of total expenses for 2021 and 2020, respectively, based on the statement of activities. An approximate economic value for this volunteer time contributed in 2021 and 2020 for Washington State is \$33.75 and \$33.02 per hour using the most recent data released by the U.S. Bureau of Labor Statistics, respectively. Applying this rate, BBBSPS volunteer mentor services can be valued at \$2,868,750 and \$2,707,640 for 2021 and 2020, respectively. 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% and 15% for 2021 and 2020, respectively.

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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

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:

	<u>2021</u>	<u>2020</u>
Cash	\$ 2,676,288	\$ 1,990,007
Investments Convertible to Cash Within One Year	1,057,281	1,041,243
Accounts and Donations Receivable	<u>303,945</u>	<u>645,984</u>
Total Financial Assets	4,037,514	3,677,234
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose Restrictions	(387,020)	(644,174)
Add Back Amounts Available to Use Within One Year	<u>312,020</u>	<u>444,976</u>
	(75,000)	(199,198)
Board Designations:		
Amounts Set Aside for Liquidity Reserve	<u>(1,057,281)</u>	<u>(1,041,243)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,905,233</u>	<u>\$ 2,436,793</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. BBBSPS 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 16% 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 \$1,057,281 and \$1,041,243 at August 31, 2021 and 2020, respectively, that is not included in the total financial assets available to meet cash needs within one year. This covers the 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

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 and functional expenses. 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.

Change in Accounting Principle

For the year ended August 31, 2021, Big Brothers Big Sisters of Puget Sound adopted FASB Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606. Topic 606 supersedes the revenue recognition requirements in FASB Accounting Standards Codification (ASC) 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Big Brothers Big Sisters of Puget Sound's financial statements reflect the application of ASC 606 guidance beginning in fiscal 2020. No cumulative-effect adjustments in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact Big Brothers Big Sisters of Puget Sound's reported historical revenue.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 2 INVESTMENTS

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

Investments consist of the following at August 31:

	2021	2020
Cash and Cash Equivalents	\$ 25,844	\$ 3
Bond Funds	-	73,353
Money Market Funds	-	478,215
Mutual Funds	1,031,437	478,497
Total	<u>\$ 1,057,281</u>	<u>\$ 1,030,068</u>

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are as follows at August 31:

	2021	2020
Receivable in Less than One Year	\$ 263,974	\$ 637,229
Less Allowance for Uncollectible Receivables	(16,452)	(10,510)
Total Current Receivables	<u>\$ 247,522</u>	<u>\$ 626,719</u>
Receivables in More than One Year	\$ 51,500	\$ -
Less: Discount	(432)	-
Total Noncurrent Receivables	<u>\$ 51,068</u>	<u>\$ -</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	2021	2020
Furniture and Equipment	\$ 227,784	\$ 361,300
Improvements	1,959	486,094
Buildings	1,169,733	680,841
Land	298,429	298,429
	<u>1,697,905</u>	<u>1,826,664</u>
Less: Accumulated Depreciation	(743,173)	(798,233)
Total	<u>\$ 954,732</u>	<u>\$ 1,028,431</u>

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2021 AND 2020

NOTE 5 LINE OF CREDIT

Under a line of credit agreement with a bank, BBBSPPS may borrow up to \$500,000 with interest accruing at the greater of the bank's floating rate plus 0.250% and 0% at August 31, 2021 and 2020, respectively, or the floor rate of 5% and 5.50% at August 31, 2021 and 2020, respectively. The line of credit matures on April 15, 2022. The balance on the line of credit was zero at August 31, 2021 and 2020.

NOTE 6 COMMITMENTS AND CONTINGENCIES

BBBSPPS leases office space and equipment under operating lease agreements. Rent expense was \$29,822 and \$142,385 for the periods ended August 31, 2021 and 2020, respectively. Future minimum lease payments under the agreements are as follows for the years ending August 31:

<u>Year Ending August 31,</u>	<u>Amount</u>
2022	\$ 66,618
2023	33,192
2024	13,959
2025	8,019
Total	<u>\$ 121,788</u>

BBBSPPS 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 statements of activities. The following is a detail of the direct costs of sales of donated household goods for the years ended August 31:

	<u>2021</u>	<u>2020</u>
Salaries, Benefits, and Payroll Taxes	\$ 292,313	\$ 325,550
Truck Expenses	89,702	92,348
Miscellaneous	61,028	110,879
Professional Fees	45,543	-
Depreciation	17,360	24,813
Insurance	14,993	14,733
Disposal Costs	5,916	8,542
Occupancy	4,575	29,249
Partner Revenue Share	3,228	16,774
Materials and Supplies	805	10,851
Repair and Maintenance	-	1,141
Total Operating Expenses	<u>\$ 535,463</u>	<u>\$ 634,880</u>

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NOTE 8 PAYCHECK PROTECTION PROGRAM LOANS

BBBSPS applied for, and received, a Paycheck Protection Program (PPP) Loan under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (See Note 10) of \$457,128. The PPP Loan incurs interest at 1% and is unsecured. The principal and interest are forgivable if the proceeds are spent on certain qualifying costs during the 24-week period following the date the note was issued. Qualified costs are considered as at least 60% of the loan amount on payroll costs, and up to 40% on nonpayroll costs, including rent and utilities. Interest payments are deferred for the first 10 months of the period following the 24-week period. If the loan is not forgiven, monthly payments of principal and interest become due.

On February 2, 2021, BBBSPS received notification that the PPP Loan had been forgiven by the Small Business Administration (SBA). The forgiveness was recorded as a gain in the statement of activities.

On February 1, 2021, BBBSPS received a second PPP Loan in the amount of \$457,820. The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of 44 months, and is unsecured and guaranteed by the U.S. Small Business Administration. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the Organization fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period from February 1, 2021 to July 18, 2021, is the time that a business has to spend their PPP Loan funds. If the loan is not forgiven, monthly payments of principal and interest become due and are payable as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2022	\$ 30,640
2023	123,390
2024	124,664
2025	125,965
2026	53,161
Total	<u>\$ 457,820</u>

The SBA may review funding eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Organization's financial position.

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NOTE 9 RELATED PARTY TRANSACTIONS

Annual dues and technology licensing fees paid to Big Brothers Big Sisters of America (BBBSA) were \$46,119 and \$44,502 during the years ended August 31, 2021 and 2020, respectively. During the years ended August 31, 2021 and 2020, BBBSPS received funding from BBBSA of \$332,736 and \$435,161, respectively, in the form of pass-through contributions. Pass-through contributions are awarded annually from BBBSA to various Big Brothers Big Sisters agencies across the nation.

NOTE 10 COVID-19, CARES ACT, AND THE CONSOLIDATED APPROPRIATIONS ACT

COVID-19

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. While many businesses and nonprofits have been shut down, BBBSPS continues to operate during the outbreak and, as of this report date, has not experienced significant impacts to its financial condition or liquidity. However, given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, BBBSPS is not able to estimate the effects of the pandemic on its future operations, financial condition, or liquidity for fiscal year 2022. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, supplies, industry, and workforce.

NOTE 11 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through December 17, 2021, which is the date the financial statements were available to be issued and has determined that there are no subsequent events that require disclosure.

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