

**Big Brothers Big Sisters of
Washtenaw County**

Financial Statements

**December 31, 2021
(With Summarized Comparative
Information for 2020)**



Table of Contents

	Page
Independent Auditors' Report	1
Basic Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7



800.968.0010 | yeoandyeo.com

Independent Auditors' Report

Board of Directors
Big Brothers Big Sisters of Washtenaw County
Ypsilanti, MI

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Washtenaw County (a nonprofit organization), which comprise the statement of financial position as of December 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Washtenaw County as of December 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of Washtenaw County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of Washtenaw County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 of Washtenaw County'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 of Washtenaw County'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.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Washtenaw County's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 2, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Ann Arbor, Michigan
July 11, 2022

Big Brothers Big Sisters of Washtenaw County
Statement of Financial Position
December 31, 2021
(With Summarized Comparative Information for 2020)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 314,293	\$ 293,725
Employee retention credit receivable	181,353	-
Promises to give, current portion	25,883	41,689
Grants receivable	39,190	22,854
Prepaid expenses	5,218	5,052
Total current assets	565,937	363,320
Promises to give, net of current portion	21,159	46,327
Property and equipment, net	1,091	2,426
Total assets	\$ 588,187	\$ 412,073
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 2,154	\$ 1,669
Accrued payroll and taxes	21,568	18,227
Accrued expenses	18,269	17,227
PPP loan	-	88,641
Total current liabilities	41,991	125,764
Net assets		
Without donor restrictions		
Unrestricted net assets	499,154	197,185
With donor restrictions		
Time-restricted for future periods	47,042	89,124
Total net assets	546,196	286,309
Total liabilities and net assets	\$ 588,187	\$ 412,073

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Activities
For the Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	Without Donor Restrictions	With Donor Restrictions	2021	2020
Revenues and support				
Donations	\$ 239,968	\$ -	\$ 239,968	\$ 226,593
In-kind donations	5,135	-	5,135	-
Grants	85,764	-	85,764	62,734
Forgiveness of debt - PPP loan	177,284	-	177,284	-
Employee retention credit	181,353	-	181,353	-
Special events	247,327	-	247,327	222,463
Interest income	88	-	88	2,849
Net assets released from restrictions	<u>42,082</u>	<u>(42,082)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>979,001</u>	<u>(42,082)</u>	<u>936,919</u>	<u>514,639</u>
Expenses				
Program	434,177	-	434,177	411,984
Management and general	47,487	-	47,487	44,815
Fundraising	<u>195,368</u>	<u>-</u>	<u>195,368</u>	<u>190,844</u>
Total expenses	<u>677,032</u>	<u>-</u>	<u>677,032</u>	<u>647,643</u>
Change in net assets	301,969	(42,082)	259,887	(133,004)
Net assets - beginning of year	<u>197,185</u>	<u>89,124</u>	<u>286,309</u>	<u>419,313</u>
Net assets - end of year	<u>\$ 499,154</u>	<u>\$ 47,042</u>	<u>\$ 546,196</u>	<u>\$ 286,309</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Functional Expenses
For the Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	Program	Management and General	Fundraising	2021	2020
Expenses					
Salaries and wages	\$ 293,787	\$ 23,856	\$ 104,859	\$ 422,502	\$ 427,169
Payroll taxes and fringe benefits	32,560	2,528	11,395	46,483	50,942
Bad debt expense (recovery)	-	(2,199)	-	(2,199)	(5,457)
Insurance - liability	17,379	492	2,363	20,234	20,067
Rent and utilities	25,606	1,789	23,087	50,482	34,717
Outside contract services	10,043	9,743	5,132	24,918	10,765
Telephone	5,411	375	1,269	7,055	5,951
Supplies	7,071	62	891	8,024	2,762
Equipment rental and maintenance	1,864	131	630	2,625	2,824
Postage and delivery	551	21	3,471	4,043	5,686
Travel	919	-	111	1,030	2,102
Printing and copying	-	5	5,044	5,049	6,640
Property insurance	569	40	193	802	941
Finance fees	89	104	4,730	4,923	6,107
Miscellaneous	1,323	87	9,510	10,920	7,512
Background checks	3,987	-	-	3,987	3,814
Dues and subscriptions	21,307	2,893	7,217	31,417	29,296
Depreciation expense	855	93	387	1,335	1,786
Professional fees	7,403	7,183	3,784	18,370	15,740
Awards and recognition	2,400	60	11,109	13,569	17,680
Conferences and training	1,053	224	186	1,463	599
Total expenses	<u>\$ 434,177</u>	<u>\$ 47,487</u>	<u>\$ 195,368</u>	<u>\$ 677,032</u>	<u>\$ 647,643</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Statement of Cash Flows
For the Year Ended December 31, 2021
(With Summarized Comparative Information for 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 259,887	\$ (133,004)
Items not requiring cash		
Depreciation	1,335	1,786
Bad debt expense (recovery)	(2,199)	(5,457)
Forgiveness of debt - PPP loan	(177,284)	-
Changes in operating assets and liabilities		
Employee retention credit receivable	(181,353)	-
Pledges receivable	43,173	56,081
Grants receivable	(16,336)	(10,260)
Prepaid expenses	(166)	(558)
Accounts payable	485	(99)
Accrued payroll and taxes	3,341	(10,733)
Accrued expenses	1,042	2,137
	<u>(68,075)</u>	<u>(100,107)</u>
Cash flows from investing activities		
Purchase of property and equipment	-	(1,392)
Cash flows from financing activities		
Proceeds from issuance of PPP loan	<u>88,643</u>	<u>88,641</u>
	<u>20,568</u>	<u>(12,858)</u>
Net change in cash and cash equivalents		
	<u>293,725</u>	<u>306,583</u>
Cash and cash equivalents - beginning of year		
	<u>293,725</u>	<u>293,725</u>
Cash and cash equivalents - end of year	<u>\$ 314,293</u>	<u>\$ 293,725</u>

See Accompanying Notes to the Financial Statements

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for December 31, 2020)

Note 1 – The Organization

Big Brothers Big Sisters of Washtenaw County (the "Organization") is a not-for-profit corporation that works to match children with positive role models who offer guidance and support in growing socially, emotionally, and academically. The Organization was originally started in 1991 as a sponsored program under the control of Huron Services for Youth, and later under the HelpSource umbrella. HelpSource ceased operations, and the Organization became an independent organization on July 23, 2007, and continues to serve the Washtenaw County area.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in accordance with the *Audit and Accounting Guide for Not-for-Profit Organizations* issued by the American Institute of Certified Public Accountants.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents for the purpose of the statement of cash flows. The Organization had \$52,698 in cash and cash equivalents in excess of FDIC insured limits at December 31, 2021.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions include the lines described on the statement of activities as donations.

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for December 31, 2020)

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

The allowance for doubtful accounts is based on factors such as historical data, risk of collection and other knowledge of the Organization. The Organization has recorded an allowance for doubtful accounts of \$2,504 and \$4,653 at December 31, 2021 and 2020, respectively.

Grants Receivable

The Organization records grant revenue for reimbursement and service based contracts. The Organization uses the allowance method for accounting for doubtful accounts. Management regularly reviews the collection history of its receivables balances with particular attention given to those amounts greater than 90 days old. Based on management's review, no allowance was deemed necessary for grants as of December 31, 2021 and 2020. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Prepaid Expenses

Prepaid expenses are amounts paid in advance for future expenses. The amounts will be utilized in the next year.

Property and Equipment

The Organization has a policy of capitalizing purchases or donations of equipment if the cost or fair market value is at least \$500. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to fifteen years.

Revenue Recognition

The Organization receives revenue primarily from grants, solicitations and special event activities. All contributions are considered without donor restrictions unless specifically restricted by the donor. When a restriction expires, amounts are then transferred to net assets without donor restrictions. Contributions of non-cash assets are reflected at their fair value at the date of donation. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Paycheck Protection Program (PPP) Loan

The Organization accounts for the PPP loan as a financial liability in accordance with FASB ASC 470 *Debt*. Interest is accrued throughout the life of the loan, even when no payments are currently due.

Employee Retention Credit

The Organization accounts for the Employee Retention Credit (ERC) by analogizing IAS 20 Accounting for Government Grants and Disclosures of Government Assistance. The ERC is treated as a government grant when there is reasonable assurance that the entity will meet the terms for earning the credit. Grants are recognized on a systematic basis over the periods in which the Organization recognizes as expenses the related costs for which the grants are intended to compensate by including them in the other income line on the statement of activities.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Those expenses include salaries and benefits, depreciation, and occupancy. These expenses are allocated based on a time and cost study of where efforts are made.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Information for December 31, 2020)

Comparative Financial Statements

The amounts shown for the year ended December 31, 2020, in the accompanying financial statements are included to provide a basis for comparison with 2021 and present summarized totals only. Accordingly, the 2020 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Income Taxes

The Organization is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code and is exempt from federal and state income taxes.

Endowment Fund Held in Perpetual Trust

The Organization entered into an agreement with the Ann Arbor Area Community Foundation (the "Foundation") to create the Big Brothers Big Sisters Endowment Fund (the "Fund"). The purpose of the Fund is to provide support in furtherance of the general program and charitable purposes of the Organization. Under the agreement, the Foundation has title to, will hold, and administer all contributions made to the Fund. The Foundation may distribute the earnings and principal of the Fund as it deems appropriate and in accordance with investment policies adopted by the Foundation to support the programs and stated charitable purpose of the Organization. The Foundation may also commingle the assets of the Fund with any other funds it may hold and administer provided that the separate identity of the Fund and the distributions made are maintained.

The Fund's combined fair market value approximates \$426,336 and \$368,012 at December 31, 2021 and 2020, respectively. The Foundation distributed \$13,288 and \$13,065 from the fund in grants to the Organization during the years ended December 31, 2021 and 2020, respectively. This is included in donations revenue on the statement of activities.

This Fund does not qualify as a reciprocal transfer asset as defined in Financial Accounting Standards Board codification titled *Transfer of Assets to a Not-for-profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, therefore, no asset is reflected in the financial statements.

Subsequent Events

Management has evaluated subsequent events through July 11, 2022, which is the date the financial statements were available to be issued.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Information for December 31, 2020)

Note 3 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	\$ 314,293	\$ 293,725
Employee retention credit receivable	181,353	-
Promises to give	47,042	41,689
Grants receivable	39,190	22,854
Total financial assets - end of year	581,878	358,268
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	47,042	42,797
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 534,836</u>	<u>\$ 315,471</u>

The Organization's goal is generally to maintain financial assets to meet 15-20% of annual operating expenses. The Organization also has an endowment fund that disburses funds annually at 5% of the annual rolling average.

Note 4 – Promises to Give

Promises to give on the statement of financial position consist of:

	2021	2020
Pledges receivable	\$ 49,883	\$ 93,056
Less: allowance for bad debt	(2,504)	(4,653)
Less: net present value adjustment	(337)	(387)
Promises to give	<u>\$ 47,042</u>	<u>\$ 88,016</u>

Promises to give are scheduled to be collected as follows:

<u>For the Year Ended December 31,</u>		
2022	\$	25,883
2023		21,500
2024		1,833
2025		667
Total	\$	<u>49,883</u>

Management has elected the fair value option for promises to give in order to simplify the accounting for promises to give made in multiple years. The promises to give are discounted using the applicable federal rate of 1.26%.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Information for December 31, 2020)

Promises to give activity for December 31 is detailed as follows:

	2021	2020
Balance beginning of the year	\$ 88,016	\$ 138,640
Add: new pledges	-	85,889
Less: collections	(43,173)	(149,600)
Add: change in allowance for bad debt	2,149	10,547
Add: change in net present value adjustment	50	2,540
Balance end of the year	\$ 47,042	\$ 88,016

Note 5 – Conditional Promises to Give

The Organization receives conditional promises to give related to federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements in accordance with 2 CFR 200.

Conditional contributions consisted of the following as of December 31, 2021:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Mentoring Youth	\$ 66,074	\$ 46,335	\$ 19,739

Conditional contributions consisted of the following as of December 31, 2020:

Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution
Mentoring Youth	\$ 61,574	\$ 42,452	\$ 19,122

Note 6 – Property and Equipment

Property and equipment consist of the following as of December 31:

	2021	2020
Furniture and fixtures	\$ 5,010	\$ 5,010
Computers	23,177	23,177
	28,187	28,187
Less accumulated depreciation	(27,096)	(25,761)
Net property and equipment	\$ 1,091	\$ 2,426

Big Brothers Big Sisters of Washtenaw County
Notes to the Financial Statements
December 31, 2021
(With Summarized Comparative Information for December 31, 2020)

Note 7 – Net Assets With Donor Restrictions

Net Assets With Donor Restrictions consist of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Multi-year pledges	\$ 47,042	\$ 88,016
Subject to expenditure for specified purpose:		
Capital expenditures	-	1,108
	<u>\$ 47,042</u>	<u>\$ 89,124</u>

Net assets were released from restrictions as follows during the years ended December 31:

	<u>2021</u>	<u>2020</u>
Expiration of time restrictions		
Multi-year pledges	\$ 40,974	\$ 137,135
Satisfaction of purpose		
Capital expenditures	1,108	1,392
	<u>\$ 42,082</u>	<u>\$ 138,527</u>

Note 8 – Paycheck Protection Program (PPP) Loan

During the prior fiscal year, the Organization received a Paycheck Protection Program (PPP) Loan of \$88,641. During the current fiscal year, the Organization received a second PPP loan of \$88,643. Both loans were funded by the Federal government through the Small Business Administration. The PPP loans and any accrued interest are forgivable after eight weeks as long as the borrower meets certain criteria. The loan proceeds must be used for eligible purposes, including payroll, health insurance, retirement plans, state and local taxes assessed on employee compensation, mortgage interest, rent, and utilities. The criteria also reduces loan forgiveness for certain reductions in salaries or reductions in FTEs.

Final forgiveness of the first loan was determined by the SBA in March 2021 and November 2021 for the second loan. Accordingly, \$177,284 of gain on extinguishment of debt has been realized in these financial statements.

Note 9 – Leases

In September 2016, the Organization signed a 5 year lease for their office space ending August 2021. The Organization extended the lease for one year, with a new ending date of August 2022. The monthly rental rates under the lease range from \$2,417 through \$2,802 per month through August 31, 2022 increasing 3% annually. Rent expense under these leases for the years ending December 31, 2021 and 2020, was \$32,966 and \$31,074, respectively.

Big Brothers Big Sisters of Washtenaw County

Notes to the Financial Statements

December 31, 2021

(With Summarized Comparative Information for December 31, 2020)

Note 10 – Related Party Transactions

The Organization is an affiliate of the national organization, Big Brothers Big Sisters of America (BBBSA). Annual membership dues are paid to BBBSA based upon the prior year expenditures of the Organization. For the years ended December 31, 2021 and 2020, the Organization paid \$21,882 and \$21,631 to BBBSA. As of December 31, 2021 and 2020, no amounts were due to BBBSA. The Organization also receives grant revenue passed through BBBSA. For the years ended December 31, 2021 and 2020, the Organization recognized \$65,457 and \$42,452 in grant revenue from BBBSA as a pass-through entity, respectively. As of December 31, 2021 and 2020, \$19,190 and \$22,854 of grant revenue was receivable from BBBSA, respectively.