

BIG BROTHERS BIG SISTERS OF PUGET SOUND
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2022 AND 2021



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**BIG BROTHERS BIG SISTERS OF PUGET SOUND
TABLE OF CONTENTS
YEARS ENDED AUGUST 31, 2022 AND 2021**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSES	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Puget Sound (a nonprofit organization), which comprises the statements of financial position as of August 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 of Puget Sound as of August 31, 2022 and 2021, and the results of its operations 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 (GAAS). 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 Puget Sound 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 of Puget Sound's ability to continue as a going concern for one year after the date 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 GAAS 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 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 GAAS, 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 Puget Sound'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 Puget Sound'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.



CliftonLarsonAllen LLP

Bellevue, Washington
February 19, 2023

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2022 AND 2021**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 4,620,787	\$ 2,676,288
Investments, Short-Term	10,676	25,844
Pledges and Grants Receivable, Net of Allowance	910,393	247,522
Other Receivables	21,714	5,355
Prepaid Expenses, Inventory, and Other Assets	217,274	233,358
Total Current Assets	5,780,844	3,188,367
OTHER ASSETS		
Investments, Long-Term	1,031,288	1,031,437
Pledges and Grants Receivable, Long-Term, Net of Discount	639,768	51,068
Property and Equipment, Net	931,691	954,732
Total Assets	\$ 8,383,591	\$ 5,225,604
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 174,482	\$ 145,549
Deferred Revenue	50,576	95,834
Accrued Expenses and Other Liabilities	184,471	228,762
Paycheck Protection Program Loan, Current Portion	-	457,820
Total Current Liabilities	409,529	927,965
LONG-TERM LIABILITIES		
Long-Term Lease Payable	20,441	33,157
Total Liabilities	429,970	961,122
NET ASSETS		
Without Donor Restrictions:		
Undesignated	5,906,546	2,820,181
Board-Designated	1,041,964	1,057,281
Total Without Donor Restrictions	6,948,510	3,877,462
With Donor Restrictions	1,005,111	387,020
Total Net Assets	7,953,621	4,264,482
Total Liabilities and Net Assets	\$ 8,383,591	\$ 5,225,604

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Donor Contributions	\$ 3,910,724	\$ 1,007,000	\$ 4,917,724
In-Kind Contributions	228,827	-	228,827
Special Events	855,881	-	855,881
Investment Income	8,037	-	8,037
Revenue from Sales of Donated Household Goods	676,242	-	676,242
Other Revenue	723,354	-	723,354
Gain on Forgiveness of Paycheck Protection Program Loan	457,820	-	457,820
Net Assets Released from Donor Restrictions	388,909	(388,909)	-
Total Support and Revenue	<u>7,249,794</u>	<u>618,091</u>	<u>7,867,885</u>
Direct Costs of Special Events	(196,947)	-	(196,947)
Direct Costs of Sales of Donated Household Goods	(496,343)	-	(496,343)
	<u>6,556,504</u>	<u>618,091</u>	<u>7,174,595</u>
EXPENSES			
Program Services	2,371,172	-	2,371,172
Fundraising	666,586	-	666,586
Management and General	447,698	-	447,698
Total Expenses	<u>3,485,456</u>	<u>-</u>	<u>3,485,456</u>
CHANGE IN NET ASSETS	3,071,048	618,091	3,689,139
Net Assets - Beginning of Year	<u>3,877,462</u>	<u>387,020</u>	<u>4,264,482</u>
NET ASSETS - END OF YEAR	<u>\$ 6,948,510</u>	<u>\$ 1,005,111</u>	<u>\$ 7,953,621</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT 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	152,539	-	152,539
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>4,121,771</u>	<u>(257,154)</u>	<u>3,864,617</u>
Direct Costs of Special Events	(127,875)	-	(127,875)
Direct Costs of Sales of Donated Household Goods	(535,463)	-	(535,463)
	<u>3,458,433</u>	<u>(257,154)</u>	<u>3,201,279</u>
EXPENSES			
Program Services	2,183,693	-	2,183,693
Fundraising	404,402	-	404,402
Management and General	420,230	-	420,230
Total Expenses	<u>3,008,325</u>	<u>-</u>	<u>3,008,325</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>\$ 3,877,462</u>	<u>\$ 387,020</u>	<u>\$ 4,264,482</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2022**

	Program Services	Fundraising	Management and General	Total
Salaries, Benefits, and Payroll Taxes, Including 401(k) Expense of \$42,733	\$ 1,744,610	\$ 336,743	\$ 156,088	\$ 2,237,441
Event Food and Rentals	-	79,392	-	79,392
Professional Fees	185,359	74,822	204,447	464,628
In-Kind Expenses	88,476	11,991	-	100,467
Occupancy Costs	74,664	8,114	9,880	92,658
Technology and Equipment Costs	10,298	28,875	20,159	59,332
Contract Services	-	85,356	-	85,356
Event Materials and Supplies	34	120,261	19	120,314
Depreciation	43,164	9,030	8,103	60,297
Insurance	53,147	11,375	11,944	76,466
Participant Expenses	27,214	1,418	47	28,679
National/Regional Dues	39,393	3,154	3,607	46,154
Printing and Publications	2,446	5,331	737	8,514
Office Supplies and Expense	1,658	881	560	3,099
Staff Recruitment and Training	47,892	2,602	12,510	63,004
Bad Debt Expense	-	47,868	-	47,868
Volunteer Screening and Expenses	25,367	-	17	25,384
Miscellaneous	2,371	3,920	4,309	10,600
Telephone and Internet	16,125	3,428	2,904	22,457
Conferences and Meetings	2,520	253	8,730	11,503
Travel, Auto, and Meetings	4,621	157	676	5,454
Credit Card and Bank Fees	1,266	25,409	2,760	29,435
Postage	547	3,153	201	3,901
Total Expenses	2,371,172	863,533	447,698	3,682,403
Less: Special Event Expenses	-	196,947	-	196,947
Total Expenses Included in Expense Section on the Statement of Activities	\$ 2,371,172	\$ 666,586	\$ 447,698	\$ 3,485,456

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 \$41,227	\$ 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	56,735	32,134	14,321	103,190
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	2,183,693	532,277	420,230	3,136,200
Less: Special Event Expenses	-	127,875	-	127,875
Total Expenses Included in Expense Section on the Statement of Activities	<u>\$ 2,183,693</u>	<u>\$ 404,402</u>	<u>\$ 420,230</u>	<u>\$ 3,008,325</u>

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2022 AND 2021**

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 3,689,139	\$ 192,954
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	(457,820)	(457,128)
Depreciation	82,131	77,492
(Gain) Loss on Investments	627	289
Loss on Sale of Equipment	-	7,758
(Increase) Decrease in Assets:		
Receivables	(1,267,930)	342,039
Prepaid Expenses and Other Assets	16,084	8,414
Increase (Decrease) in Liabilities:		
Accounts Payable	28,933	7,037
Accrued Expenses and Other Liabilities	(44,291)	59,393
Long-Term Lease Payable	(12,716)	33,157
Deferred Revenue	(45,258)	(15,066)
Net Cash Provided by Operating Activities	1,988,899	256,339
CASH FLOWS FROM INVESTING ACTIVITIES		
Additional to Property and Equipment	(59,090)	(11,551)
Purchase of Investments (Including Reinvested Interest)	-	(16,327)
Sale of Investments	14,690	-
Net Cash Used by Investing Activities	(44,400)	(27,878)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program Loan	-	457,820
Net Cash Provided by Financing Activities	-	457,820
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,944,499	686,281
Cash - Beginning of Year	2,676,288	1,990,007
CASH - END OF YEAR	\$ 4,620,787	\$ 2,676,288
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of PPP Loan	\$ 457,820	\$ 457,128

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

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:

	2022	2021
Time Restrictions	\$ 871,666	\$ 322,267
Mentoring Programs	133,445	64,753
Total	\$ 1,005,111	\$ 387,020

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021**

**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, 2022 and 2021, the reserve fund was invested in cash, money market funds, and mutual 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, 2022 AND 2021

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 \$5,000 and \$16,452 as of August 31, 2022 and 2021, respectively. The allowance is netted with the pledges and grants receivable balance on the statements of financial position.

At August 31, 2022 and 2021, receivables from one and three organization(s) accounted for 56% and 43% 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 three donors contributing 38% of total revenues during the year ended August 31, 2022. There were two donors contributing 9% of total revenues during the year ended August 31, 2021.

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, 2022 AND 2021

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 99,000 and 85,000 hours for the years ended August 31, 2022 and 2021, 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 32% and 27% of total expenses for 2022 and 2021, respectively, based on the statement of activities. An approximate economic value for this volunteer time contributed in 2022 and 2021 for Washington State is \$33.75 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 \$3,341,250 and \$2,868,750 for 2022 and 2021, 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 16% and 14% for 2022 and 2021, 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.

Change in Accounting Principle

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard requires that contributed nonfinancial assets are reported on a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disclosure of disaggregated amounts of contributed nonfinancial assets by category that depicts the type of contributed nonfinancial assets along with additional qualitative information about the monetization of such assets, donor restrictions and valuation techniques. The adoption of this standard did not have any significant impact on the accompanying financial statements or disclosures.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Cash	\$ 4,620,787	\$ 2,676,288
Investments Convertible to Cash Within One Year	1,041,964	1,057,281
Accounts and Donations Receivable	<u>1,571,875</u>	<u>303,945</u>
Total Financial Assets	7,234,626	4,037,514
Less: Those Unavailable for General Expenditures Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose Restrictions	(1,005,111)	(387,020)
Add Back Amounts Available to Use Within One Year	<u>163,445</u>	<u>312,020</u>
	(841,666)	(75,000)
Board Designations:		
Amounts Set Aside for Liquidity Reserve	<u>(1,041,964)</u>	<u>(1,057,281)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,350,996</u>	<u>\$ 2,905,233</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 14% of cash expenses incurred by BBBSPS during the current fiscal year.

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 \$1,041,964 and \$1,057,281 at August 31, 2022 and 2021, 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, 2022 AND 2021**

**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.

Reclassification

Certain 2021 amounts have been reclassified to conform with the 2022 financial statement presentation.

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:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 10,679	\$ 25,844
Mutual Funds	1,031,288	1,031,437
Total	<u>\$ 1,041,967</u>	<u>\$ 1,057,281</u>

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are as follows at August 31:

	<u>2022</u>	<u>2021</u>
Receivable in Less than One Year	\$ 915,393	\$ 263,974
Less Allowance for Uncollectible Receivables	(5,000)	(16,452)
Total Current Receivables	<u>\$ 910,393</u>	<u>\$ 247,522</u>
Receivables in More than One Year	\$ 650,000	\$ 51,500
Less: Discount	(10,232)	(432)
Total Noncurrent Receivables	<u>\$ 639,768</u>	<u>\$ 51,068</u>

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2022</u>	<u>2021</u>
Furniture and Equipment	\$ 283,762	\$ 227,784
Improvements	1,959	1,959
Buildings	1,172,844	1,169,733
Land	<u>298,429</u>	<u>298,429</u>
	1,756,994	1,697,905
Less: Accumulated Depreciation	<u>(825,303)</u>	<u>(743,173)</u>
Total	<u><u>\$ 931,691</u></u>	<u><u>\$ 954,732</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 3.250% and 0.250% at August 31, 2022 and 2021, respectively, or the floor rate of 3.250% and 5% at August 31, 2022 and 2021, respectively. The line of credit matures on December 1, 2022. The balance on the line of credit was zero at August 31, 2022 and 2021.

NOTE 6 COMMITMENTS AND CONTINGENCIES

BBSPS leases office space and equipment under operating lease agreements. Rent expense was \$33,231 and \$29,822 for the periods ended August 31, 2022 and 2021, 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>
2023	\$ 76,925
2024	87,487
2025	57,401
2026	39,576
2027	19,537
Total	<u><u>\$ 280,926</u></u>

BBSPS 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

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>2022</u>	<u>2021</u>
Salaries, Benefits, and Payroll Taxes	\$ 273,797	\$ 292,313
Travel, Auto, and Meetings	92,867	89,702
Miscellaneous	4,588	54,429
Professional Fees	29,811	45,543
Depreciation	21,833	17,360
Insurance	18,003	14,993
Disposal Costs	1,797	5,916
Occupancy	7,869	4,575
Partner Revenue Share	3,246	3,228
In-Kind Expenses	28,170	-
Event Materials and Supplies	-	805
National/Regional Dues	2,523	547
Printing and Publications	677	-
Office Supplies and Expense	2,778	805
Staff Recruitment and Training	3,616	-
Telephone and Internet	4,574	5,247
Conferences and Meetings	194	-
Total Operating Expenses	<u>\$ 496,343</u>	<u>\$ 535,463</u>

NOTE 8 PAYCHECK PROTECTION PROGRAM LOANS

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.

On March 21, 2022, 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 9 EMPLOYEE RETENTION CREDIT

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During 2021, the Organization complied with the conditions of Employee Retention Credit (ERC), funding from the Internal Revenue Service, in the amount of \$699,846 in compliance with the program.

Grants related to this program are recorded as other revenue and accounts receivable. The Organization recognized \$699,846 of Employee Retention Credit related to performance requirements being met and costs being incurred in compliance with the program during the year ended August 31, 2022. As of August 31, 2022, \$484,159 was in accounts receivable at year-end.

Eligibility and usage of funds in compliance with the program based on dollar thresholds and other factors are subject to review. 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.

NOTE 10 RELATED PARTY TRANSACTIONS

Annual dues and technology licensing fees paid to Big Brothers Big Sisters of America (BBBSA) were \$77,643 and \$46,119 during the years ended August 31, 2022 and 2021, respectively. During the years ended August 31, 2022 and 2021, BBBSPS received funding from BBBSA of \$388,380 and \$332,736, 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 11 CONTRIBUTED NONFINANCIAL ASSETS

The Organization received the following contributions of nonfinancial assets for the year ending August 31:

	<u>2022</u>	<u>2021</u>
Parking & Storage	\$27,750	\$41,850
Printing	10,526	6,266
Tickets	44,621	3,391
Food	4,085	1,903
Professional Services	3,500	23,726
Auction Items	12,540	-
Artwork	72,600	-
Clothing	20,000	-
Advertising	30,350	66,075
Other	2,855	9,328
Total Contribution Nonfinancial Assets	<u>\$228,827</u>	<u>\$152,539</u>

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2022 AND 2021

NOTE 11 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

Contributed household items are recorded as in-kind contribution revenue and expense when received. Inventory is adjusted annually based on the year-end physical count. The Organization utilized three inventory valuation methods during the years ended August 31, 2022 and 2021. These methods include (1) current price located on publicly available websites if the inventory item is a match for the website item when donated; (2) thrift shop value on a publicly available website if the item donated has been used; (3) the current average price located on a publicly available website for similar items if a group of items are donated and the items range in price depending on model, size, etc.

Donated parking and storage are utilized by the donation center for operations during the fiscal years noted. Donated tickets are utilized for program purposes so that matches of Bigs and Littles can go to high-quality venues at no cost. Donated food is utilized by program participants to attend a summer picnic. Donated professional fees include legal services used to develop standard contract language for all independent contractors and review of other contracts. In addition, professional fees also include photographer services for enhanced messaging during fundraising events. Donated clothing consists of blankets given to program participants and items sold at the donation center. Donated advertising and printing are utilized for fundraising events. In addition, donated advertising is utilized to promote recruiting of mentors and is also utilized in fundraising to promote Big Brothers Big Sisters of Puget Sound events.

The Organization receives items to be sold at its annual auction. Contributed auction items are valued at the gross selling price received at auction. In addition, donated artwork sold to raise funds.

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 19, 2023, 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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