

BIG BROTHERS BIG SISTERS
OF ISLAND COUNTY
AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND DECEMBER 31, 2019



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of Island County

We have audited the accompanying financial statements of Big Brothers Big Sisters of Island County (a nonprofit organization), which comprise the statements of financial position as of September 30, 2020 and December 31, 2019, and the related statements of activities, functional expenses and cash flows for the periods 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States 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.

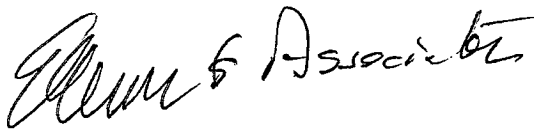
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Island County as of September 30, 2020 and December 31 2019 and the changes in its net assets and its cash flows for the periods then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "Allen & Associates".

Freeland, Washington
September 23, 2021

Big Brothers Big Sisters of Island County
Statement of Financial Position
As of September 30, 2020 and December 31, 2019

	2020	2019
ASSETS		
Cash and cash equivalents (Note 2)	\$ 27,697	\$ 119,265
Other receivables, net	16,855	5,025
Prepaid expenses and other assets	6,817	2,559
Investments, at fair value (Note 3)	109,056	109,346
Property and equipment, net (Note 5)	59,578	63,902
Total assets	\$ 220,003	\$ 300,097
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 17,894	\$ 27,529
Payroll Protection Program Loan (Note 6)	31,887	-
Total liabilities	49,781	27,529
 NET ASSETS		
Without donor restrictions	161,302	262,148
With donor restrictions (Note 7)	8,920	10,420
Total net assets	170,222	272,568
Total liabilities and net assets	\$ 220,003	\$ 300,097

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Island County
Statement of Activities
For the Nine Months Ending September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Contributions	\$ 20,512	\$ -	\$ 20,512
Contributions and donations in kind - from related parties	8,558	-	8,558
Contributions - Memorial	-	1,000	1,000
Contributions - donation in-kind	12,330	-	12,330
Fundraising - festival of trees		-	-
Fundraising - other	(1,471)	-	(1,471)
Grants	48,098	-	48,098
Interest and dividends	1,476	-	1,476
Net assets released from restrictions (Note 2)	-		-
	89,504	1,000	90,504
EXPENSES			
Program expenses	153,076	2,500	155,576
Supporting services:			
Management and general	20,062	-	20,062
Fundraising	15,451	-	15,451
Total support services	35,514	-	35,514
Total expenses	188,590	2,500	191,090
Change in net assets from operations	(99,086)	(1,500)	(100,586)
Nonoperating activities			
Investment return, net (Note 3)	(1,761)	-	(1,761)
Total nonoperating activities	(1,761)	-	(1,761)
Change in net assets	(100,846)	(1,500)	(102,346)
Net assets, beginning of year	262,148	10,420	272,568
Net assets, end of year	\$ 161,302	\$ 8,920	\$ 170,222

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Island County
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating activities			
REVENUES AND OTHER SUPPORT			
Contributions	\$ 11,937	\$ -	\$ 11,937
Contributions and donations in kind - from related parties	23,480	-	23,480
Contributions - Memorial	-	10,420	10,420
Contributions - donation in-kind	17,144	-	17,144
Fundraising - festival of trees	182,860	-	182,860
Fundraising - other	17,356	-	17,356
Grants	16,375	7,000	23,375
Interest and dividends	5,628	-	5,628
Net assets released from restrictions (Note 2)	7,000	(7,000)	-
Total revenues and other support	<u>281,780</u>	<u>10,420</u>	<u>292,200</u>
EXPENSES			
Program expenses	<u>240,168</u>	<u>-</u>	<u>240,168</u>
Supporting services:			
Management and general	24,513	-	24,513
Fundraising	<u>61,457</u>	<u>-</u>	<u>61,457</u>
Total support services	<u>85,969</u>	<u>-</u>	<u>85,969</u>
Total expenses	<u>326,137</u>	<u>-</u>	<u>326,137</u>
Change in net assets from operations	<u>(44,357)</u>	<u>10,420</u>	<u>(33,937)</u>
Nonoperating activities			
Investment return, net (Note 3)	<u>18,650</u>	<u>-</u>	<u>18,650</u>
Total nonoperating activities	<u>18,650</u>	<u>-</u>	<u>18,650</u>
Change in net assets	<u>(25,708)</u>	<u>10,420</u>	<u>(15,288)</u>
Net assets, beginning of year	<u>287,857</u>	<u>-</u>	<u>287,857</u>
Net assets, end of year	<u>\$ 262,148</u>	<u>\$ 10,420</u>	<u>\$ 272,568</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Island County
 Statements of Functional Expenses
 For the Nine Months Ending September 30, 2020 and the Year Ending December 31, 2019

2020

	Program Services	Management and General	Fundraising	Total
Fundraising costs - FOT	\$ -	\$ -	\$ -	\$ -
Fundraising costs - other			10,001	10,001
Wages, benefits and payroll taxes	103,673	9,015	-	112,689
Advertising	54	13	68	135
Bank charges and interest	330	52	2,116	2,497
Dues	11,659	-	-	11,659
Insurance	4,427	385	-	4,812
Occupancy	15,195	2,922	374	18,491
Professional and contracted services	11,708	4,851		16,559
Printing and postage	653	237	6	896
Supplies and activity expenses	1,106	288	38	1,431
Conferences and continuing ed	-	340	-	340
Travel and meals	275	48	-	323
Depreciation	4,324	-	-	4,324
Other	2,172	1,911	2,849	6,932
	<u>\$ 155,576</u>	<u>\$ 20,062</u>	<u>\$ 15,451</u>	<u>\$ 191,089</u>

2019

	Program Services	Management and General	Fundraising	Total
Fundraising costs - FOT	\$ -	\$ -	\$ 48,400	\$ 48,400
Fundraising costs - other			6,823	6,823
Wages, benefits and payroll taxes	150,492	13,086	-	163,578
Advertising	24	506	30	560
Bank charges and interest	739	67	3,931	4,737
Dues	9,692	10	-	9,702
Insurance	5,355	466	-	5,821
Occupancy	20,085	4,300	656	25,041
Professional and contracted services	36,402	2,027	300	38,729
Printing and postage	2,004	928	265	3,198
Supplies and activity expenses	3,876	163	128	4,167
Conferences and continuing ed	-	632	-	632
Travel and meals	33	171	-	204
Depreciation	8,267	-	-	8,267
Other	3,199	2,157	924	6,280
	<u>\$ 240,168</u>	<u>\$ 24,513</u>	<u>\$ 61,458</u>	<u>\$ 326,137</u>

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Island County
 Statements of Cash Flows
 For the Nine Months Ending September 30, 2020 and the Year Ending December 31, 2019

INDIRECT METHOD

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (102,346)	\$ (15,288)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,324	8,267
Decrease (increase) in accounts receivable	(11,830)	(2,254)
Decrease (increase) in contributions receivable	-	-
(Increase) decrease in prepaid expenses and other assets	(4,378)	(166)
Increase (decrease) in accounts payable and accrued expenses	22,372	947
(Decrease) increase in other liabilities		
Net cash provided by (used in) operating activities	(91,858)	(8,494)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	290	114,132
Purchase of investments		(38,393)
Net cash provided by (used in) investing activities	290	75,739
Net increase (decrease) in cash and cash equivalents	(91,568)	67,245
Cash and cash equivalents, beginning of year	119,265	52,020
Cash and cash equivalents, end of year	\$ 27,697	\$ 119,265

The accompanying notes are an integral part of these financial statements.

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

NOTE 1 –ORGANIZATION AND OPERATIONS

Big Brothers Big Sisters of Island County, a Washington non-profit corporation organized under section 501 (c)(3) of the Internal Revenue Service Code, is dedicated to providing services to youth within Island County, Washington, through an exclusive agreement with Big Brothers Big Sisters of America. The purpose of the organization is to develop, under professional direction, and in accordance with practice standards of Big Brothers Big Sisters of America, one-to-one friendship between caring adult volunteers and boys and girls who are in need of consistent role models.

NOTE 2 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statements

The Organization uses the financial statement presentation format of the accounting statement update No. 2016-14 (Topic 958), *Not for Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities* of the Financial Accounting Standards Board effective for financial statements issued for fiscal years beginning after December 15, 2017. The statement requires all nonprofit Organizations to provide a statement of financial position, a statement of activities, and a statement of cash flows. The new guidance also simplifies and improves how not-for-profit entities classify net assets, that is reporting temporarily and permanently restricted net assets as *with donor restrictions*, as well as the information presented in the financial statements and notes about liquidity, financial performance, and cash flows.

Support and Revenue

The Organization is supported primarily by contributions from individuals and grants from local granting agencies and foundations. The Organization reports gifts of cash and other assets as revenue and other support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donated asset expires, that is, when a stipulated time restriction or other purpose restriction is accomplished, 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.

Release of net asset restrictions	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished:		
Scholarships	\$ 2,500	
Program mentoring services		\$7,000
	<u>\$ 2,500</u>	<u>\$ 7,000</u>

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. There are no restrictions on the use of cash and cash equivalents.

Marketable Securities

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by purpose or passage of time) in the reporting period in which the income and gains are recognized. There are no donor restricted securities. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months. All securities are available for sale in the current period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal income tax under Internal Revenue Code Section 501 (c)(3). Any net income arising from activities not related to the Organization's exempt function is subject to federal income tax. There was no income tax expense for the years ended December 31, 2019 and 2018.

NOTE 3 –MARKETABLE SECURITIES

The fair values in short term mutual funds for the years ended 2020 and 2019 totaled \$109,056 and \$109,346, respectively. Net realized and unrealized gains and losses, net of investment expenses for the years ended 2020 and 2019 amounted to a loss of \$290 and a gain of \$18,650 respectively.

NOTE 4 –FAIR VALUE MEASUREMENTS

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. There are no assets requiring the use of Level 2 and Level 3 inputs for the periods presented.

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2020.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at the price. The mutual funds held by the Organization are deemed to be actively traded. For the years ended 2020 and 2019, fair value measurements (Level 1) for the mutual funds amounted to \$109,056 and \$109,346, respectively.

NOTE 5 – FURNITURE, EQUIPMENT AND CAPITAL IMPROVEMENTS

Depreciable assets are capitalized when the useful life of the asset exceeds one year and the cost is greater than \$200. Those assets that meet that criterion are capitalized at cost and depreciated on a double declining balance basis over a period of 5 to 39 years, which is their estimated useful life.

Depreciation expense for the 9 months ending 2020 and the year ending 2019 is \$4,324 and \$8,267, respectively. If assets are acquired as a donation they are recorded at fair market value at the date of donation. Furniture and Equipment and Capital Improvements at September 30, 2020 and December 31 2019 consist of the following:

	2020	2019
Furniture and equipment	25,839	25,839
Capital improvements	94,075	94,075
	119,914	119,914
Less accumulated depreciation	(60,336)	(56,012)
	\$ 59,578	\$ 63,902

NOTE 6 – PAYROLL PROTECTION PROGRAM LOAN

The organization obtained a \$31,187 Payroll Protection Program Loan in April of 2020 to help cover payroll and other expenses in 2020. Interest payable at 1% from the date of the loan. Interest and principal are due monthly over an 18 month period starting seven months after the date of the loan. The loan was forgiven in May of 2021.

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

NOTE 7 –NET ASSETS

Net assets with donor restrictions are available for the following purposes at September 30, 2020 and December 31, 2019:

	2020	2019
Memorial – for Scholarships	\$ 8,920	\$ 10,420 0
Total Net Assets With Donor Restrictions	\$ 8,920	\$ 10,420

NOTE 8 –AFFILIATION

Big Brothers Big Sisters of Island County is an affiliate of Big Brothers Big Sisters of America and, accordingly, must comply with practice standards and guidelines established by that Organization.

NOTE 9 –DONATED SERVICES, MATERIALS AND FACILITIES

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization in program services and fundraising campaigns. Contributed services are recognized at their fair market values only if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not contributed. Donated services for the 9 months ending September 30 ,2020 and the year 2019, which qualify to be recognized in the accompanying statement of activities, were \$8,558 and \$22,180, respectively. Contributed fundraising items reported at fair market value for 2020 and 2019 were \$0 and \$704, respectively. The Coupeville School District donates office space to the Organization for 2020 and 2019, respectively with an estimated value of the monthly rent of \$400 in 2020 and \$400 in 2019. BBBS office space with an estimated value of \$970 and \$970 per month for 2020 and 2019, respectively, was donated. The organization reported donated rent for 2020 and 2019 in the amount of \$12,330 and \$16,440, respectively.

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

NOTE 10 –ALLOCATED EXPENSES

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on this basis include wages and benefits, insurance and occupancy, which are allocated on the basis of estimates of time, effort and benefit of the expenditure.

NOTE 11 –PENSION AND POSTRETIREMENT BENEFIT PLANS

The Organization offers all permanent employees participation in a Simple IRA retirement plan. The Organization began contributing 3% to this account in 2015. Plan expenses incurred by the Organization during 2020 and 2019 were \$1,076 and \$2,184, respectively.

NOTE 12–RELATED PARTY TRANSACTIONS

The majority of the Organization’s bookkeeping duties and preparation of tax returns are outsourced to a local accounting firm that is owned by a board member of the Organization. The fee for these services in 2020 and 2019 amounted to \$12,058 and \$26,380, respectively including donated services in the amount of \$8,558 and \$22,180, respectively (See Note 8). Amounts due at September 30 2020 and year ending 2019 were \$350 and \$350, respectively.

NOTE 13 –SUBSEQUENT EVENTS AND COVID-19

The Organization has evaluated subsequent events through September 23rd 2021, the date which the financial statements were available to be issued. Reportedly, due to the Corona Virus COVID-19 outbreak, a number of items were impacted in 2020 and 2021:

The agency worked remotely from March 16 – August 5, 2020. This has forced the Organization to move to digital formats for communications, update their technology to accommodate such actions, and move match meetings to digital formats. A number of events, including Bowl for Kids’ Sake, a planned Golf Tournament, and 2 planned raffles were cancelled, for a loss of over \$40,000 in potential revenue. The Festival of Trees was pivoted to a virtual event, and as a result of this and economic impacts, 50% reduction in profits for this the 2020 Festival is projected. There has been a huge reduction in volunteers for mentoring this year as a result of social distancing, stay at home orders and restricted access to locations. This reduction in volunteers has meant less children have been served in 2020, which will in turn will likely cause a significant reduction in grant revenue in the coming year. Additionally, many grantors’ funding has dried up, been put on hold, or diverted to institutions funding support for those who are homeless, jobless, and/or hungry, or in danger of becoming so. As such, normal funding streams have been effected. Lastly, it is noted that local businesses and donors have been vastly impacted,

Big Brothers Big Sisters of Island County
Notes to the Financial Statements
For the Nine Months Ending September 30, 2020 and the Year Ended December 31, 2019

and as they make up the vast majority of the Organization's donors, sponsors and supporters, projected revenue is declining over 2019.

END NOTES