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BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY



FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

(WITH INDEPENDENT AUDITORS' REPORT THEREON)

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Big Brothers and Big Sisters of Island County
Oak Harbor Washington

Opinion

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Island County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statement 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 and Big Sisters of Island County as of September 30, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers and Big Sisters of Island County 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 and Big Sisters of Island County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and Big Sisters of Island 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 and Big Sisters of Island 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.

The financial statements of Big Brothers and Big Sisters of Island County as of September 30, 2020, for the nine months then ended, were audited by other auditors and whose issued report dated September 23, 2021, expressed an unmodified opinion on those statements.

A handwritten signature in cursive script that reads "Lindley & Associates LLC".

Lindley & Associates LLC
March 1, 2022

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
 STATEMENTS OF FINANCIAL POSITION
 SEPTEMBER 30, 2021 AND NINE MONTHS ENDED SEPTEMBER 30, 2020

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	\$ 50,622	\$ 27,697
Investments	129,299	109,056
Accounts receivable	-	16,855
Contribution of nonfinancial assets	51,544	-
Prepaid expenses	6,681	6,817
Total current assets	238,146	160,425
Fixed assets, net	53,311	59,578
Total assets	\$ 291,457	\$ 220,003
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 11,516	\$ 17,894
Accrued wages	3,689	-
Accrued vacation	2,927	-
Payroll Protection Plan loan	-	31,887
Total current liabilities	18,132	49,781
Net assets		
Without donor restrictions	218,961	161,302
With donor restrictions	54,364	8,920
Total net assets	273,325	170,222
Total liabilities and net assets	\$ 291,457	\$ 220,003

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Support			
State and local grants	\$ 146,532	\$ -	\$ 146,532
Contributions	11,596	-	11,596
Contribution non-financial goods		62,344	62,344
Special events	102,475	-	102,475
Payroll Protection Plan forgiveness	63,074	-	63,074
Other income	36,780	-	36,780
Net assets released from restrictions	16,900	(16,900)	-
	<u>377,357</u>	<u>45,444</u>	<u>422,801</u>
Functional expenses			
Program services	271,385	-	271,385
Management and general	19,314	-	19,314
Fund-raising	28,999	-	28,999
Total functional expenses	<u>319,698</u>	<u>-</u>	<u>319,698</u>
Change in net assets	57,659	45,444	103,103
Net assets at beginning of year	161,302	8,920	170,222
Net assets at end of year	<u>\$ 218,961</u>	<u>\$ 54,364</u>	<u>\$ 273,325</u>

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
STATEMENT OF ACTIVITIES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Nine Months Total
Support			
State and local grants	\$ 48,099	\$ -	\$ 48,099
Contributions	20,512	1,000	21,512
Donated nonfinancial goods	20,888	-	20,888
Special events, net of expenses	(1,471)	-	(1,471)
Other income	(285)	-	(285)
Net assets released from restrictions	2,500	(2,500)	-
	90,243	(1,500)	88,743
Functional expenses			
Program services	155,576		155,576
Management and general	20,062	-	20,062
Fund-raising	15,451	-	15,451
Total functional expenses	191,089	-	191,089
Change in net assets	(100,846)	(1,500)	(102,346)
Net assets at beginning of year	262,148	10,420	272,568
Net assets at end of year	\$ 161,302	\$ 8,920	\$ 170,222

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Program	Management and General	Fund raising	Total Expenses
Salaries and wages	\$ 134,450	\$ -	\$ -	\$ 134,450
Payroll tax expenses	19,775	-	-	19,775
Employee benefits	9,180	-	-	9,180
Total salary and benefits	163,405	-	-	163,405
Advertising	792	284	99	1,175
Depreciation	2,755	2,755	2,755	8,265
Fundraising	-	-	4,082	4,082
Insurance	4,548	679	-	5,227
National dues	31,771	-	-	31,771
Other expenses	13,445	1,765	1,766	16,976
Professional dues	11,497	11,498	17,497	40,492
Storage rental	468	-	467	935
Supplies	5,869	-	-	5,869
Travel & miscellaneous	34,413	-	-	34,413
Utilities	2,422	2,333	2,333	7,088
	<u>\$ 271,385</u>	<u>\$ 19,314</u>	<u>\$ 28,999</u>	<u>\$ 319,698</u>

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	Program	Management and General	Fund raising	Total Expenses
Salaries and wages	\$ 103,673	\$ 9,015	\$ -	\$ 112,688
Payroll tax expenses	-	-	-	-
Employee benefits	-	-	-	-
Total salary and benefits	103,673	9,015	-	112,688
Bank merchant charges	-	-	2,116	2,116
Depreciation	4,324	-	-	4,324
Fundraising	-	-	10,001	10,001
Insurance	4,427	385	-	4,812
National dues	11,659	-	-	11,659
Occupancy	15,195	2,992	374	18,561
Office supplies	1,106	288	38	1,432
Other expenses	3,484	2,531	2,922	8,937
Professional services	11,708	4,851	-	16,559
	<u>\$ 155,576</u>	<u>\$ 20,062</u>	<u>\$ 15,451</u>	<u>\$ 191,089</u>

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2021 AND
THE NINE MONTHS ENDED SEPTEMBER 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 103,103	\$ (102,346)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	8,267	4,324
Contribution of nonfinancial assets	(51,544)	-
Change in operating assets and liabilities:		
Accounts receivable	16,855	(11,830)
Prepaid expenses	136	(4,378)
Accounts payable & deferred revenue	(6,378)	22,372
Accrued wages	6,616	-
Change in cash from operating activities	<u>77,055</u>	<u>(91,858)</u>
Cash flows from investing activities:		
Purchase of investments	(20,243)	290
Purchase of property & equipment	(2,000)	-
Change in cash from investing activities	<u>(22,243)</u>	<u>290</u>
Cash flows from financing activities:		
Proceed from Payroll Protection Plan	(31,887)	-
Change in cash from financing activities	<u>(31,887)</u>	<u>-</u>
Net increase (decrease), cash and cash equivalents	22,925	(91,568)
Cash and cash equivalents, beginning of period	<u>27,697</u>	<u>119,265</u>
Cash and cash equivalents, end of period	<u>\$ 50,622</u>	<u>\$ 27,697</u>

See accompanying notes to the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

Note 1. Description of Organization

Big Brothers and Big Sisters of Island County (the Organization) is a nonprofit organization, dedicated to providing services to children and youth within Island County, WA, through an exclusive agreement with Big Brothers Big Sisters of America (BBBSA). They develop, under professional direction, and in accordance the practice standards of BBBSA, meaningful, monitored matches between adult volunteers (“Bigs”) and children (“Littles”) age five through young adulthood. Their goal is to help children realize their potential and build their futures. This nurtures children and strengthens communities.

Programs include the following services:

Community-Based programs: Matched big brother or sister meets at participant’s home for activities based on the interests and needs of the participant. They meet two to four times a month for two to four hours

School-Based program: Matched big brother or sister meet weekly for one hour at the participants’ school to work on assignments, have lunch, participate in recess and assist with social skills.

Dabble In New Opportunities (DINO): New program to provide fresh experiences, meet mentors and have fun. Provides youth activities without barriers, no fees, no new equipment and no uniforms.

Management and general activities may include the functions necessary to provide support for the Organization’s program activities. They include activities that provide governance (Board of Directors), oversight, business management, financial recordkeeping, budgeting, legal services, human resource management, and similar functions that ensure an adequate working environment and an equitable employment program.

Fundraising activities may include publicizing and conducting fundraising campaigns; maintaining donor lists; conducting special fundraising events; and other activities involved with soliciting contributions from corporations, foundations, individuals and others.

Note 2. Significant Accounting Policies

Basis of Accounting

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (US GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions: Net assets without donor restrictions are resources available to support operations, the only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions: Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use resources in accordance with the donor's instructions.

Classification of Transactions

All revenue and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period.

Cash and cash equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. The organization maintains cash balances at several financial institutions locally. Deposit accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per account. The balance occasionally may exceed those limits. Cash equivalents, other securities, and limited amounts of cash held at brokerage accounts are protected the Securities Investor Protection Corporation (SIPC) in the event of broker-dealer failure, up to \$500,000 of protection for each brokerage account, with a limit of \$250,000 for claims of uninvested cash balances. Additional brokerage insurance, in addition to SIPC protection, is provided through underwriters in London. The SIPC insurance does not protect against market losses on investments.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Investments

Investments are carried at fair value. Fair value is determined from readily available quoted market sources where available. Realized gains and losses from the sale of investments are computed based on the difference between the proceeds received and the carrying value. Unrealized gains and losses are reported as investment income is combined with realized gains and losses and reported as investment income.

Fixed assets

Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as donations without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as donations with donor restrictions.

Depreciation is provided using the straight-line method over the estimated useful lives. The Organization's policy is to capitalize property and equipment over \$1,000.

Functional allocation of expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reports as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future period or for specific purposes are reported as increases to net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future year have an implied restriction to be used in the year the payment is due, and therefore are reported as donor restricted until the payment is due unless the contributions is clearly intended to support activities of the current fiscal year or is received with permanent restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Gifts-in-Kind Contributions

The Organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions at the date of the gift and as expense when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expenses at the estimated fair value of similar space for rent under similar conditions.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

The Organization benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the Organization's program operations and in its fund-raising campaigns. However, the majority of the contributed services do not meet the criteria for recognition in the financial statements. GAAP allow recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialize skills, and are provided by individuals possessing those skills.

Grant revenue

Grant revenue is recognized when the qualifying costs are incurred under cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from governmental agencies is subject to independent audit requirements for those awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Expense recognition and allocation

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charge directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

Salaries and wages, benefits and payroll taxes are not allocated by functional classification, but charged directly to program.

Occupancy, depreciation and amortization are allocated on 33% each to each functional classification.

Telephone and internet services, insurance, and supplies and miscellaneous expense that cannot be directly identified are allocated on a reasonable basis between functional classification.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization. The organization allocates management and general by reasonable allocation.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. Advertising costs are expensed as incurred.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Tax status

The organization is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the organization are tax deductible to donors under Section 170 of the IRC. The organization is not classified as a private foundation.

Recent accounting pronouncements adopted

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies the accounting guidance for contributions received and made, including guidance to help an entity evaluate whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determine whether a contribution is conditional. As required by ASU 2018-08, the Organization applied the requirement on a modified prospective basis to agreements that were either not completed as of January 1, 2019, or entered into after January 1, 2019. There was no material impact on the financial statements upon the adoption of ASU 2018-08.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This ASU requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance. In 2020, the FASB delayed the effective date for nonpublic entities to fiscal years beginning after December 15, 2021. Early adoption is permitted. There was no material impact on the financial statements upon the adoption of ASU 2016-02.

In order to give immediate relief to certain entities as a result of the widespread, adverse economic effects caused by the COVID-19 pandemic, on June 3, 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842), *Effective Dates for Certain Entities*. This Accounting Standards Update defers the effective dates of FASB ASC Topics 606 and 842 to fiscal years beginning after December 15, 2019 and December 15, 2021, respectively, for certain entities that had not issued their financial statements (or made them available for issuance) as of June 3, 2020. There was no material impact on the financial statements upon the adoption of ASU 2020-05.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Paycheck Protection Program

In response to the COVID-19 pandemic, the U.S. Congress passed the CARES Act. Included in the CARES Act was the paycheck protection Program (PPP) to provide loans to qualifying small businesses and not-for-profit organizations to cover certain eligible expenses. On April 16, 2020, the organization obtained a loan under the PPP program with a principal balance of \$31,187, which was forgiven on May 4, 2021. On February 1, 2021, they received a second loan of \$30,880, which was forgiven on June 24, 2021.

PPP loans may be forgiven if certain terms and conditions of the program are met. The terms and conditions include, but are not limited to, spending the PPP loan funds on qualifying expenses. The organization follows the accounting guidance for government grants in U.S.

GAAP for accounting for the recognition of revenue from forgiveness of the PPP loan. In applying that guidance, the organization recognizes revenue when the barriers to entitlement to loan forgiveness are met. Management has determined that the barriers to entitlement consist of the incurrence of qualifying expenses and submission of a loan forgiveness application to the lender. To complete the loan forgiveness process management must submit a loan forgiveness application to the lender and then the lender and the Small Business Administration (SBA) must review and approve the application..

Note 3. Liquidity and Availability

Big Brothers and Big Sisters of Island County strives to maintain liquid financial assets sufficient to cover a minimum of 90 days of general expenditures. As of September 30, 2021, Big Brothers and Big Sisters of Island County has liquid assets that would be sufficient to cover approximately eight months of general expenditures. In addition to the financial assets available to meet general expenditures over a 8-month period, the organization operates with a balanced budget and anticipates sufficient revenue to cover general expenditures. As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments.

The following table reflects Big Brothers and Big Sisters of Island County' financial assets as of September 30, 2021 and the nine months ended September 30, 2020, reduced by the amounts that are not available to meet general expenditures.

	2021	Nine Months 2020
Cash and Cash equivalents	\$ 50,622	\$ 27,697
Investments	129,299	109,056
Accounts receivable	-	16,855
Prepaid assets	6,681	6,817
Financial assets available to meet cash needs	<u>\$ 186,602</u>	<u>\$ 160,425</u>

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Note 4. Fair Value Measurements

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The assets or liabilities measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets in markets that are not active;
 - Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- Level 3: Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. However, Level 1 inputs are not available for many of the assets and liabilities the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the Organization's financial statements are:

- Initial measurement of noncash gifts, including investment assets and unconditional promises to give.
- Recurring measurement of short-term investments.
- Recurring measurement of long-term investments.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

Note 5. Investments

As discussed in Note 4 to these financial statements, the Organization is required to report its fair value measurements in one of three levels, which are based on the ability to observe in the marketplace the inputs to the Organization’s valuation techniques. Level 1, the most observable level of inputs, is for investments measured at quoted prices in active markets for identical investments at September 30, 2021 and 2020, including investments measured at NAV if the NAV is determined as the fair value per share (unit) is published, and is the basis for current transactions. Level 2 is for investments measured using inputs such as the quotes prices for similar assets or quoted prices for identical assets in inactive markets. Level 3 is for investments measured using inputs that are unobservable, and is used for situation for which there is little, if any market activity for the investment.

The Organization uses the following way to determine the fair value of its instruments:

Money market funds: Determined by the published NAV per unit at the end of the last trading day of the year, this is the basis for transactions at that date.

Note 6. Fixed Assets

Fixed assets consisted of the following at September 30:

	2021	Nine Months 2020
Property and equipment		
Equipment & furniture	\$ 25,839	\$ 25,839
Capital improvements	94,075	94,075
Vehicles	2,000	-
	121,914	119,914
Less accumulated depreciation	(68,602)	(60,336)
	\$ 53,312	\$ 59,578

Note 7. Leases

The Organization has an operating lease with the City of Oak Harbor for the program services building commencing December 22, 2021, and terminating December 31, 2026.

This lease conveys no ownership at the end of the lease term, contains no purchase option, and requires no guarantee of residual value. This lease contains exchange provisions for providing youth service programs (34%), youth mentor programs (33%), and operating a support network and safety met for at-risk youth (33%). The City values the rent at \$14,400 annually.

BIG BROTHERS AND BIG SISTERS OF ISLAND COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021
(continued)

The following is a schedule of the future minimum lease contributed nonfinancial asset for the years ended September 30:

2022		14,400
2023	\$	14,400
2024		14,400
2025		14,400
		14,400
	\$	43,200

Note 8. Concentration of Credit Risk

The Organization's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Further, because of the significance of the investments to the Organization's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts report in the financial statements. Management is of the opinion that the diversification of the invested assets amount the various asset classes should mitigate the impact of changes in any one class.

Note 9. Pension and Post Retirement Benefit Plans

The Organization offers all permanent employees participation in a Simple IRA retirement plan. Beginning 2015, the employer contributes 3% of wages to the account. This contribution totaled \$5,238 and \$1,076 for the year and nine months ended September 30 2021 and 2020, respectively.

Note 10. Affiliation

The Organization is an affiliate of Big Brothers Big Sisters of America and must comply with their practice standards and guidelines. In addition, the Organization paid dues and license fees of \$10,814 and \$11,659 for the year and nine months ended September 30, 2021 and 2020, respectively.

Note 11. Subsequent Events

Management of the Organization has evaluated events and transactions occurring after September 30, 2021, through the date this report, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements.

The Covid-19 virus outbreak may have a continued material adverse impact on economic and market conditions, triggering a period of global, national, and regional economic slowdown. This situation is expected to depress donations during the year September 30, 2021. As such, this may hinder our ability to advance our mission. Due to anticipated additional governmental funding, our financial condition and liquidity should not be negatively impacted for the fiscal year ended September 30, 2021, due to the Covid-19 virus.