

BIG BROTHERS BIG SISTERS OF PUGET SOUND
FINANCIAL STATEMENTS
YEARS ENDED AUGUST 31, 2023 AND 2022



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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, 2023 and 2022, 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, 2023 and 2022, and the changes in net assets 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in fiscal year 2023, the Organization adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

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
January 10, 2024

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023**

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash	680,503	\$ 4,620,787
Investments, Short-Term	647,121	10,676
Pledges and Grants Receivable, Net of Allowance	336,495	910,393
Other Receivables	71,206	21,714
Prepaid Expenses, Inventory, and Other Assets	290,503	217,274
Total Current Assets	2,025,828	5,780,844
OTHER ASSETS		
Investments, Long-Term	4,438,513	1,031,288
Pledges and Grants Receivable, Long-Term, Net of Discount	340,000	639,768
Property and Equipment, Net	332,348	931,691
Property Held for Sale	792,977	
Right of use Asset - Operating	166,982	-
Right of use Asset - Finance	18,969	-
Total Other Assets	6,089,789	2,602,747
Total Assets	\$ 8,115,617	\$ 8,383,591
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	100,201	166,636
Deferred Revenue	129,511	50,576
Accrued Expenses and Other Liabilities	95,915	182,149
Current Lease Liability - Operating	68,614	-
Current Lease Liability - Finance	10,125	10,168
Total Current Liabilities	404,366	409,529
LONG-TERM LIABILITIES		
Long-Term Lease Liability - Operating	100,430	20,441
Long-Term Lease Liability - Finance	11,381	-
Total Current Liabilities	111,811	20,441
Total Liabilities	516,177	429,970
NET ASSETS		
Without Donor Restrictions:		
Undesignated	2,001,691	5,906,546
Board-Reserved	5,085,634	1,041,964
Total Without Donor Restrictions	7,087,325	6,948,510
With Donor Restrictions	512,115	1,005,111
Total Net Assets	7,599,440	7,953,621
Total Liabilities and Net Assets	8,115,617	\$ 8,383,591

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023**

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants and Donor Contributions	\$ 2,578,812	\$ 85,000	\$ 2,663,812
In-Kind Contributions	559,203	-	559,203
Special Events	931,084	-	931,084
Investment Income	262,270	-	262,270
Revenue from Sales of Donated Household Goods	669,290	-	669,290
Other Revenue	14,512	-	14,512
Net Assets Released from Donor Restrictions	577,996	(577,996)	-
Total Support and Revenue	5,593,167	(492,996)	5,100,171
Direct Costs of Special Events	(333,860)	-	(333,860)
Direct Costs of Sales of Donated Household Goods	(623,487)	-	(623,487)
	4,635,820	(492,996)	4,142,824
EXPENSES			
Program Services	2,748,409	-	2,748,409
Fundraising	1,063,215	-	1,063,215
Management and General	685,381	-	685,381
Total Expenses	4,497,005	-	4,497,005
CHANGE IN NET ASSETS	138,815	(492,996)	(354,181)
Net Assets - Beginning of Year	6,948,510.00	1,005,111	7,953,621
NET ASSETS - END OF YEAR	\$ 7,087,325.00	\$ 512,115	\$ 7,599,440

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 FUNCTIONAL EXPENSES
YEAR ENDED AUGUST 31, 2023**

	Program Services	Fundraising	Management and General	Total
Salaries, Benefits, and Payroll Taxes, Including 401(k) Expense of \$42,733	\$ 1,814,893	\$ 570,592	\$ 255,647	\$ 2,641,132
Event Food and Rentals	-	271,928	-	271,928
Professional Fees	188,738	164,630	156,781	510,149
In-Kind Expenses	301,400	175,689	45,600	522,689
Occupancy Costs	92,105	16,377	13,083	121,565
Technology and Equipment Costs	10,740	25,977	20,149	56,866
Contract Services	-	61,932	-	61,932
Event Materials and Supplies	-	380	-	380
Depreciation	55,916	13,630	15,137	84,683
Insurance	53,398	14,208	9,370	76,976
Participant Expenses	81,724	672	95	82,491
National/Regional Dues	30,181	4,973	5,902	41,056
Printing and Publications	2,513	14,819	700	18,032
Office Supplies and Expense	1,097	491	628	2,216
Staff Recruitment and Training	15,303	6,845	39,264	61,412
Bad Debt Expense	-	10,545	-	10,545
Volunteer Screening and Expenses	40,116	215	302	40,633
Miscellaneous	7,282	3,349	6,309	16,940
Telephone and Internet	32,590	8,333	7,746	48,669
Conferences and Meetings	14,245	3,201	85,929	103,375
Travel, Auto, and Meetings	4,814	680	875	6,369
Credit Card and Bank Fees	737	23,452	20,723	44,912
Postage	617	4,157	1,141	5,915
Total Expenses	2,748,409	1,397,075	685,381	4,830,865
Less: Special Event Expenses	-	333,860	-	333,860
Total Expenses Included in Expense Section on the Statement of Activities	\$ 2,748,409	\$ 1,063,215	\$ 685,381	\$ 4,497,005

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 \$41,227	\$ 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
STATEMENTS OF CASH FLOWS
YEARS ENDED AUGUST 31, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (354,181)	\$ 3,689,139
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Gain on Forgiveness of Paycheck Protection Program Loan	-	(457,820)
Depreciation	94,376	82,131
Loss on disposal of equipment	35,819	-
(Gain) Loss on Investments	(141,312)	627
Amortization of ROU Asset	9,105	-
Noncash Lease Expense	(18,379)	-
(Increase) Decrease in Assets:		
Receivables	824,174	(1,267,930)
Prepaid Expenses and Other Assets	(73,229)	16,084
Increase (Decrease) in Liabilities:		
Accounts Payable	(66,435)	28,933
Accrued Expenses and Other Liabilities	(86,234)	(44,291)
Long-Term Lease Payable	-	(12,716)
Deferred Revenue	78,935	(45,258)
Net Cash Provided by Operating Activities	302,639	1,988,899
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Additions to Property and Equipment	(330,728)	(59,090)
Purchase of Investments (Including Reinvested Interest and Non-Cash Donations)	(7,231,494)	-
Sale of Investments	3,329,136	14,690
Net Cash Used by Investing Activities	(4,233,086)	(44,400)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Finance Lease	(9,837)	-
Net Cash Provided by Financing Activities	(9,837)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,940,284)	1,944,499
Cash - Beginning of Year	4,620,787	2,676,288
CASH - END OF YEAR	\$ 680,503	\$ 4,620,787
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Forgiveness of PPP Loan	\$ -	\$ 457,820
Right-of-Use Asset Exchanged for Lease Liability	\$ 77,724	

See accompanying Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

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

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service.

**BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022**

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

Net Assets (Continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions.

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:

	<u>2023</u>	<u>2022</u>
Time Restrictions	\$ 404,474	\$ 871,666
Mentoring Programs	107,641	133,445
Total	<u>\$ 512,115</u>	<u>\$ 1,005,111</u>

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, 2023 and 2022, the reserve fund was invested in cash, money market funds, bonds, equities, 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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

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.

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 \$5,000 as of August 31, 2023 and 2022, respectively. The allowance is netted with the pledges and grants receivable balance on the statements of financial position.

At August 31, 2023 and 2022, receivables from one organization accounted for 48% and 56% of pledges and grants receivable, respectively.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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

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 26% of total revenues during the year ended August 31, 2023. There were three donors contributing 38% of total revenues during the year ended August 31, 2022.

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.

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 70,000 and 99,000 hours for the years ended August 31, 2023 and 2022, 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 39% and 32% of total expenses for 2023 and 2022, respectively, based on the statement of activities. An approximate economic value for this volunteer time contributed in 2023 and 2022 for Washington State is \$37.63 per hour and \$33.75 per hour using the most recent data released by Independent Sector, respectively. Applying this rate, BBBSPS volunteer mentor services can be valued at \$2,634,100 and \$3,341,250 for 2023 and 2022, 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 25% and 16% for 2023 and 2022, respectively.

In addition, the Donation Center receives donated household items and resells them. Revenue for these in-kind contributions of household items is recognized when the household items are sold.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

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>2023</u>	<u>2022</u>
Cash	\$ 680,503	\$ 4,620,787
Investments Convertible to Cash Within One Year	5,085,634	1,041,964
Accounts and Donations Receivable	747,701	1,571,875
Total Financial Assets	<u>6,513,838</u>	<u>7,234,626</u>
Less: Those Unavailable for General Expenditures		
Within One Year, Due to:		
Contractual or Donor-Imposed Restrictions:		
Restricted by Donor with Time or Purpose		
Restrictions	(512,115)	(1,005,111)
Add Back Amounts Available to Use Within		
One Year	<u>172,115</u>	<u>163,445</u>
	(340,000)	(841,666)
Board Designations:		
Amounts Set Aside for Liquidity Reserve	<u>(5,085,634)</u>	<u>(1,041,964)</u>
Financial Assets Available to Meet Cash Needs		
for General Expenditures Within One Year	<u>\$ 1,088,204</u>	<u>\$ 5,350,996</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. BBSPS 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 13% of cash expenses incurred by BBSPS during the current fiscal year.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2023 AND 2022

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

Information Regarding Liquidity and Availability (Continued)

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 \$5,085,634 and \$1,041,964 at August 31, 2023 and 2022, 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.

Income Taxes

BBBSPS is exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code.

Functional Allocation of Expenses

The costs of providing the various programs and other services have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that received benefit. Expenses that benefit more than one function are allocated using a reasonable basis for the particular expense being allocated. Major expenses that are allocated include office and occupancy expenses, information technology support and depreciation, which are allocated on the basis of personnel headcount, as well as some salaries and fringe and related expenses, which are allocated on the basis of estimates of time and effort.

Change in Accounting Principle

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective September 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on September 1, 2022, a lease liability at the carrying amount of the capital lease obligations on August 31, 2022, of \$29,840 and a right-of-use asset at the carrying amount of the capital lease asset of \$28,501. The Company also recognized on September 1, 2022 a lease liability of \$147,398, which represents the present value of the remaining operating lease payments of \$158,944, discounted using the risk free rate of 3.39%, and a right-of-use asset of \$147,398.

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

Change in Accounting Principle (Continued)

The Organization has elected to adopt the package of practical expedients available in the year of adoption.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating and finance leases.

Leases

The Organization leases office space, box trucks, and copiers. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. Finance leases are included in right-of-use (ROU) assets – financing and lease liability – financing in the balance sheet

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the Organization uses risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

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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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 647,121	\$ 10,679
Bond Funds	2,721,921	-
Mutual Funds	1,716,592	1,031,285
Total	<u>\$ 5,085,634</u>	<u>\$ 1,041,964</u>

NOTE 3 PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable are as follows at August 31:

	<u>2023</u>	<u>2022</u>
Receivable in Less than One Year	368,283	\$ 915,393
Less Allowance for Uncollectible Receivables	(31,788)	(5,000)
Total Current Receivables	<u>\$ 336,495</u>	<u>\$ 910,393</u>
Receivables in More than One Year	\$ 340,000	\$ 650,000
Less: Discount	-	(10,232)
Total Noncurrent Receivables	<u>\$ 340,000</u>	<u>\$ 639,768</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at August 31:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	435,455	\$ 283,762
Improvements	1,959	1,959
Buildings	1,172,844	1,172,844
Land	298,429	298,429
Curriculum	24,650	-
Constuction in Progress	91,569	-
	<u>2,024,906</u>	<u>1,756,994</u>
Less: Accumulated Depreciation	(899,581)	(825,303)
Total	<u>\$ 1,125,325</u>	<u>\$ 931,691</u>

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NOTE 5 LINE OF CREDIT

Under a line of credit agreement with HomeStreet Bank, BBBSPS may borrow up to \$500,000 with interest accruing at the Wall Street Journal Prime Rate (+0%) at August 31, 2023 or the greater of the bank's floating rate plus 3.250% at August 31, 2022, or the floor rate of 0% and 3.250% at August 31, 2023 and 2022, respectively. The line of credit matures on December 1, 2024. The balance on the line of credit was zero at August 31, 2023 and 2022.

NOTE 6 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>2023</u>	<u>2022</u>
Salaries, Benefits, and Payroll Taxes	\$ 355,442	\$ 273,797
Travel, Auto, and Meetings	97,807	92,867
Miscellaneous	18,508	4,588
Professional Fees	16,280	29,811
Depreciation	18,800	21,833
Insurance	14,697	18,003
Disposal Costs	1,114	1,797
Occupancy	9,317	7,869
Partner Revenue Share	7,945	3,246
In-Kind Expenses	67,100	28,170
Event Materials and Supplies	-	-
National/Regional Dues	2,841	2,523
Printing and Publications	1,908	677
Office Supplies and Expense	3,422	2,778
Staff Recruitment and Training	2,207	3,616
Telephone and Internet	5,896	4,574
Conferences and Meetings	203	194
Total Operating Expenses	<u>\$ 623,487</u>	<u>\$ 496,343</u>

NOTE 7 RELATED PARTY TRANSACTIONS

Annual dues and technology licensing fees paid to Big Brothers Big Sisters of America (BBBSA) were \$41,586 and \$77,643 during the years ended August 31, 2023 and 2022, respectively. During the years ended August 31, 2023 and 2022, BBBSPS received funding from BBBSA of \$478,049 and \$388,380, 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.

BIG BROTHERS BIG SISTERS OF PUGET SOUND
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NOTE 8 CONTRIBUTED NONFINANCIAL ASSETS

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

	<u>2023</u>	<u>2022</u>
Parking & Storage	\$27,900	\$27,750
Printing	-	10,526
Tickets	57,173	44,621
Food	-	4,085
Professional Services	470,000	3,500
Auction Items	-	12,540
Artwork	-	72,600
Clothing	-	20,000
Advertising	-	30,350
Other	4,130	2,855
Total Contribution Nonfinancial Assets	<u>\$559,203</u>	<u>\$228,827</u>

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, 2023 and 2022. 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 services include legal services and consulting services. Legal Services comprised of vendor contract review. Consulting Services comprised of analysis of strategic plan and analysis of program data by KMPG and Deloitte. 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.

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NOTE 9 ASC 842 – LEASES

The Organization leases box trucks, a copier, and a single office facility for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through September 2028. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Additionally, the agreements generally require the Organization to pay real estate taxes, insurance, and repairs.

The following table provides quantitative information concerning the Organization's leases:

Finance lease cost:	
Amortization of right-of-use assets	9,105
Interest on lease liabilities	918
Operating lease cost	64,611
Total lease cost	74,634

The Organization classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of August 31, 2023, is as follows:

Maturity Analysis

<u>Year Ending August 31,</u>	Operating	Finance	Totals
2024	73,345	10,692	84,037
2025	46,232	10,692	56,924
2026	38,040	891	38,931
2027	19,914	-	19,914
2028	191	-	191
Thereafter	-	-	-
Undiscounted cash flows	177,722	22,275	199,997
(Less) Imputed interest	(8,678)	(769)	(9,447)
Total present value	169,044	21,506	190,550

Other information related to the Organization's operating lease as of August 31, 2023 was as follows:

Other Information:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from finance leases	855
Operating cash flows from operating leases	59,307
Financing cash flows from finance leases	9,837
Right-of-use assets obtained in exchange for new finance lease liabilities:	31,280
Right-of-use assets obtained in exchange for new operating lease liabilities:	221,879
Weighted-average remaining lease term - finance leases	2.1 years
Weighted-average remaining lease term - operating leases	2.9 years
Weighted-average discount rate - finance leases	3.54%
Weighted-average discount rate - operating leases	3.64%

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NOTE 10 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), the 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, 2023 and 2022, \$-0- and \$484,159 was in accounts receivable at year-end, respectively.

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 material adverse impact on the Organization's financial position.

NOTE 11 PROPERTY HELD FOR SALE

As discussed in Note 12, a buyer has made an offer to purchase the Organization's main office building and BBBSPS has accepted the offer.

NOTE 12 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 10, 2024, which is the date the financial statements were available to be issued and has determined that there are no subsequent events that require disclosure other than the following.

BBBSPS owns their main office in Seattle, Washington with no outstanding debt. A buyer has made an offer to purchase this building and BBBSPS has accepted this offer. The sale of the property is expected to close in January 2024.



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