

BIG BROTHERS BIG SISTERS OF ALASKA

FINANCIAL STATEMENTS

For the Years Ended December 31, 2019 and 2018

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Alaska (BBBSAK) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits 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.

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 BBBSAK as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elgee Rehfeld

August 3, 2020

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 405,590	\$ 196,786
Accounts receivable:		
Current portion of pledges receivable, net	14,653	20,033
Grants	55,457	43,443
United Way	46,279	49,376
Other	32,640	18,355
Prepaid expenses	<u>15,437</u>	<u>19,708</u>
Total current assets	570,056	347,701
RESTRICTED - CASH AND CASH EQUIVALENTS	9,169	9,169
PLEDGES RECEIVABLE, LONG-TERM, net	-	11,875
OTHER ASSETS	<u>6,783</u>	<u>6,776</u>
Total assets	<u>\$ 586,008</u>	<u>\$ 375,521</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 25,318	\$ 19,048
Payroll related liabilities	20,177	16,165
Accrued leave	22,273	32,337
Deferred revenue	<u>172,483</u>	<u>130,398</u>
Total current liabilities	<u>240,251</u>	<u>197,948</u>
NET ASSETS		
Without donor restrictions	321,935	136,496
With donor restrictions	<u>23,822</u>	<u>41,077</u>
Total net assets	<u>345,757</u>	<u>177,573</u>
Total liabilities and net assets	<u>\$ 586,008</u>	<u>\$ 375,521</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Affiliate - For the Kids Foundation	\$ 250,000	\$ -	\$ 250,000
Individual donors	78,642	-	78,642
Corporate donors	160,597	-	160,597
Special event contributions	37,399	-	37,399
United Way	97,283	-	97,283
In-kind contributions	35,067	-	35,067
Local Contracts	107,313	-	107,313
Grants:			
Federal government	394,153	-	394,153
State of Alaska	105,300	-	105,300
Local governments	69,448	-	69,448
Other	59,437	-	59,437
Gaming	24,572	-	24,572
Investment income, net	42	-	42
Other	747	-	747
Total revenues, gains, and other support	<u>1,420,000</u>	<u>-</u>	<u>1,420,000</u>
Net assets released from restriction -			
Satisfaction of time restriction - pledges receivable	<u>17,255</u>	<u>(17,255)</u>	<u>-</u>
Total revenues, gains, other support, and net assets released from restriction	<u>1,437,255</u>	<u>(17,255)</u>	<u>1,420,000</u>
EXPENSES - DIRECT			
Program services	860,505	-	860,505
Supporting services:			
General and administrative	228,087	-	228,087
Fundraising	128,157	-	128,157
EXPENSES - IN-KIND			
Program services	971	-	971
Supporting services -			
Fundraising	<u>34,096</u>	<u>-</u>	<u>34,096</u>
Total expenses	<u>1,251,816</u>	<u>-</u>	<u>1,251,816</u>
Change in net assets	185,439	(17,255)	168,184
NET ASSETS, beginning of year	<u>136,496</u>	<u>41,077</u>	<u>177,573</u>
NET ASSETS, end of year	<u>\$ 321,935</u>	<u>\$ 23,822</u>	<u>\$ 345,757</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUES, GAINS, AND OTHER SUPPORT			
Affiliate - For the Kids Foundation	\$ 200,000	\$ -	\$ 200,000
Individual donors	73,982	27,073	101,055
Corporate donors	197,878	-	197,878
Special event contributions	57,686	-	57,686
United Way	111,152	-	111,152
In-kind contributions	49,724	-	49,724
Grants:			
Federal government	453,043	-	453,043
State of Alaska	110,398	-	110,398
Local governments	69,286	-	69,286
Other	38,577	-	38,577
Gaming	9,505	-	9,505
Investment income, net	1,760	-	1,760
Other	11,678	-	11,678
	<u>1,384,669</u>	<u>27,073</u>	<u>1,411,742</u>
Total revenues, gains, and other support			
Net assets released from restriction -			
Satisfaction of time restriction - pledges receivable	<u>10,297</u>	<u>(10,297)</u>	<u>-</u>
Total revenues, gains, other support, and net assets released from restriction	<u>1,394,966</u>	<u>16,776</u>	<u>1,411,742</u>
EXPENSES - DIRECT			
Program services	960,302	-	960,302
Supporting services:			
General and administrative	188,113	-	188,113
Fundraising	190,642	-	190,642
EXPENSES - IN-KIND			
Program services	900	-	900
Supporting services -			
Fundraising	<u>48,824</u>	<u>-</u>	<u>48,824</u>
Total expenses	<u>1,388,781</u>	<u>-</u>	<u>1,388,781</u>
Change in net assets	6,185	16,776	22,961
NET ASSETS, beginning of year	<u>130,311</u>	<u>24,301</u>	<u>154,612</u>
NET ASSETS, end of year	<u>\$ 136,496</u>	<u>\$ 41,077</u>	<u>\$ 177,573</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 624,524	\$ 158,501	\$ 63,361	\$ 846,386
Professional fees	43,791	52,251	23,413	119,455
Facilities	96,833	8,350	8,231	113,414
Dues and subscriptions	21,127	1,733	2,973	25,833
Insurance	21,009	2,618	-	23,627
Special events expense	-	-	18,709	18,709
Office	14,694	401	1,084	16,179
Travel	13,229	1,579	368	15,176
Agency activities and screening	13,518	57	1	13,576
Advertising	5,611	127	3,369	9,107
Other expenses	1,587	2,470	958	5,015
Equipment	4,582	-	-	4,582
Uncollectible pledges	-	-	3,916	3,916
Gaming expenses	-	-	1,774	1,774
Total direct expenses	<u>860,505</u>	<u>228,087</u>	<u>128,157</u>	<u>1,216,749</u>
IN-KIND EXPENSES				
Office and supplies	-	-	34,096	34,096
Agency activities	971	-	-	971
Total in-kind expenses	<u>971</u>	<u>-</u>	<u>34,096</u>	<u>35,067</u>
Total expenses	<u>\$ 861,476</u>	<u>\$ 228,087</u>	<u>\$ 162,253</u>	<u>\$ 1,251,816</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 694,642	\$ 115,924	\$ 103,509	\$ 914,075
Professional fees	92,830	55,343	38,208	186,381
Facilities	88,718	6,381	9,692	104,791
Special events expense	5	16	29,805	29,826
Insurance	21,040	3,624	-	24,664
Dues and subscriptions	16,765	274	4,606	21,645
Agency activities and screening	17,678	254	-	17,932
Travel	10,126	1,922	1,667	13,715
Office	7,696	906	971	9,573
Equipment	4,269	544	692	5,505
Other expenses	1,775	2,925	342	5,042
Advertising	4,758	-	-	4,758
Gaming expenses	-	-	1,150	1,150
Total direct expenses	<u>960,302</u>	<u>188,113</u>	<u>190,642</u>	<u>1,339,057</u>
IN-KIND EXPENSES				
Office and supplies	-	-	48,824	48,824
Agency activities	900	-	-	900
Total in-kind expenses	<u>900</u>	<u>-</u>	<u>48,824</u>	<u>49,724</u>
Total expenses	<u>\$ 961,202</u>	<u>\$ 188,113</u>	<u>\$ 239,466</u>	<u>\$ 1,388,781</u>

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

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from contributions and grants	\$ 1,421,022	\$ 1,486,069
Investment income received	42	1,760
Cash outflows for operations:		
Payments for salaries, benefits and payroll taxes	(852,438)	(909,668)
Payments to suppliers	(359,822)	(451,266)
Net provided by operating activities	208,804	126,895
Cash and cash equivalents at beginning of year	205,955	79,060
Cash and cash equivalents at end of year	\$ 414,759	\$ 205,955

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

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Alaska (BBBSAK) is a nonprofit community organization dedicated to providing mentoring relationships between children and adults that provide a direct, measurable and lasting impact on children's lives. BBBSAK is affiliated with Big Brothers Big Sisters of America and serves the State of Alaska. A board of directors governs BBBSAK's activities.

Basis of Accounting

The financial statements of BBBSAK have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of BBBSAK have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require BBBSAK to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BBBSAK. These net assets may be used at the discretion of BBBSAK's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BBBSAK or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. BBBSAK also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Income Tax:

BBBSAK is a nonprofit organization that is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. BBBSAK is not classified as a private foundation. BBBSAK sells pull tabs to help fund its mentoring services, the revenue from which is subject to unrelated business income tax to the extent that revenues are not used for allowable expenditures as required under state gaming regulations. At December 31, 2019 and 2018, BBBSAK recorded tax expense of \$-0- and \$-0-, respectively, on this unrelated business activity.

BBBSAK follows the provisions of FASB ASC 740 *Income Taxes*, and management believes it has appropriate support for any tax positions taken. BBBSAK's federal income tax returns (Form 990)

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are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BBBSAK considers the balances in its demand deposit and savings accounts, money market funds, prepaid credit cards, certificates of deposit with remaining maturities of less than 12 months, and petty cash to be cash and cash equivalents. BBBSAK follows the requirements that gaming cash be maintained in a separate bank account.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted by donors for long-term purposes. Restricted cash and cash equivalents are comprised of the two endowment funds. Restrictions are described further in Note 5.

Grants Receivable

Grants receivable are reported net of an allowance for bad debt expense, which is estimated by management based on expected collectability of grants receivable.

Pledges Receivable

Pledges receivable are stated at the pledged value, less a discount and an allowance for uncollectible pledges which is estimated by management based on expected collectability of pledges receivable (see Note 3).

Equipment

Purchased equipment is carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is calculated by the straight-line method over the useful lives of the assets. BBBSAK capitalizes all expenditures for equipment in excess of \$5,000. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. There were no capitalized assets for the years ended December 31, 2019 and 2018.

Compensated Absences

All permanent employees accrue paid time-off (leave) from their date of hire. Employees can carry up to 180 hours of unused personal leave at any one time. An employee forfeits unused hours in excess of this amount. The cost of personal leave pay is recognized in the financial statements as it is accrued. Unused personal leave at termination is compensated in the form of a lump sum payment.

Revenue Recognition

Revenue is accounted for in accordance with ASC 605: *Topic 958 Not for Profit Entities*.

Contracts and Grants

Grants or contracts awarded to BBBSAK from federal, state, local, or other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

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NOTES TO FINANCIAL STATEMENTS

Contributions and Promises to Give

Contributions are recorded in the statements of activities when received. Contributions received are recorded as supported with donor restrictions, or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

BBBSAK reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Contributions that are received and for which donor restrictions expire in the same period are recorded as support without donor restrictions.

Unconditional promises to give (pledges) are recognized as revenue in the period in which the promises are made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefits to be received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unrestricted.

Donated Services and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by BBBSAK.

Contributed materials are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions with donor restrictions.

Endowment

BBBSAK's endowments consist of Lanie's fund, which was initially contributed as an endowment to Big Brothers Big Sisters Anchorage, and a contribution to Big Brother Big Sisters Fairbanks. As required by US GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Therefore, these contributions are presented as net assets with donor restrictions. Only the original contribution amount was restricted by the donor and the interest earned on these endowments is available to be used for operations.

Functional Allocation of Expenses

The cost of providing BBBSAK's various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. BBBSAK uses grant costing as its basis for allocating costs among program and administrative categories. 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, wages, benefits and taxes are allocated based on each employee's area of service to the organization.
- Facilities are allocated based on employee service allocations.
- Office expenditures are based on a combination of direct and indirect allocation. The indirect allocation is used for purchases such as bulk paper purchases, copier printing

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- costs, etc.
- Equipment is based on an indirect allocation that is based on a usage study.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value Measurement

BBBSAK follows FASB ASC 820 *Fair Value Measurements*, which provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Management's 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. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements

Statement of Cash Flows (Topic 230)

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU provides specific guidance on the cash flow classification and presentation of changes in restricted cash and cash equivalents. The amendments require that a statement of cash flows explain the change during the period in the total of cash and cash equivalents and restricted cash and cash equivalents. BBBSAK adopted ASU 2016-18 on January 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended December 31, 2019 or 2018.

Accounting Guidance for Contributions Received and Contributions Made (Topic 958)

In June 2018, the FASB issued ASU No. 2018-08, Clarifying the Scope and the *Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The standard clarified and improved current guidance by providing criteria for determining whether a nonprofit is receiving commensurate value in return for the resources transferred. The outcome of the analysis determines whether the contract or grant constitutes either a contribution or an exchange transaction. The guidance also provides a more robust framework for determining whether a contribution is conditional or unconditional and for distinguishing a donor-imposed condition from a donor-imposed restriction. BBBSAK adopted ASU 2018-08 on January 1, 2019, applying the changes retrospectively. The adoption of the standard had no impact on net assets for years ended December 31, 2019 or 2018; however, there are differences in classification as outlined below.

Prior to the clarifications provided in ASU 2018-08, transactions with customers that benefited the general public were considered as exchange transactions. Under the clarified guidance, such transactions constitute contributions. Previously, revenue from contracts and grants had been accounted for as exchange transactions because the arrangement with the customer (grantor) also benefitted the general public. Under these circumstances, revenue was recognized as qualifying expenses were incurred. As a result of this change, these transactions are now considered to be contributions because the customer does not receive commensurate value for the consideration received by BBBSAK. BBBSAK concluded that the agreements are conditional due to the rights of return/release and barriers to entitlement to funds. Revenue is recognized when the condition is satisfied. The nature of the condition is either based on incurring qualifying expenses or satisfying a milestone or other deliverable. Consequently, the pattern of

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revenue recognition remained consistent with previous years and there was no material change in the revenue recognition for grants or contracts.

Contribution revenue was accounted for under *ASC Topic 958-605, Not-for-profit Entities, Revenue Recognition*, before the implementation of the new standards. With the clarifications outlined in ASU 2018-08, BBBSAK management reviewed existing agreements as of the effective date, as well as new agreements for 2019, and concluded that there are no material changes in revenue related to contributions.

New Accounting Pronouncements

Management is evaluating the impact of the recent accounting pronouncements listed below on BBBSAK's financial position, results of operations, or cash flows. The impact of adoption has not been fully determined. Other accounting standards that have been issued or proposed by FASB, or other standards-setting bodies, not listed below, will also be evaluated prior to their effective date.

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU No. 2014-09, "*Revenue from Contracts with Customers (Topic 606)*". These standards replace existing revenue recognition rules with a comprehensive revenue measurement and recognition standards and expanded disclosure requirements. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In June of 2020, FASB issued ASU 2020-05 "*Effective Dates for Certain Entities*" that deferred the effective date for BBBSAK until annual periods beginning after December 15, 2019, including interim reporting periods within that reporting period. The amendment is required to be applied retrospectively and all entities can adopt the standard as early as the original effective date. BBBSAK plans to adopt ASU 2014-09 as amended by 2020-05, in its fiscal year ending December 31, 2020.

Leases (Topic 842)

In February 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." The amendments in this update will supersede much of the existing authoritative guidance for leases. This guidance requires lessees to recognize right-of-use assets and liabilities on their balance sheet for all leases with terms longer than twelve months. In June of 2020, FASB issued ASU 2020-05 "*Effective Dates for Certain Entities*" that deferred the effective date for BBBSAK until annual periods beginning after December 15, 2021, with early application permitted. BBBSAK plans to adopt ASU 2016-02 as amended by 2020-05, in its fiscal year ending December 31, 2022.

Reclassification

Certain amounts presented for the prior year have been reclassified to conform to the current year presentation.

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NOTES TO FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of December 31, 2019:

Financial assets at year end*:	
Cash and cash equivalents	\$ 414,759
Accounts receivable	<u>149,029</u>
Total financial assets	<u>563,788</u>
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:	
Cash and investments subject to donor imposed restrictions:	
Pledges receivable	(14,653)
Endowment Fund - "Lanie's Fund"	(8,169)
Endowment Fund - Big Brother Big Sister of Fairbanks	<u>(1,000)</u>
	<u>(23,822)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 539,966</u>

*Total assets, less nonfinancial assets (e.g. prepaid expenses)

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE RECEIVABLE

Unconditional promises to give (pledges) receivable at December 31 are as follows:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 18,317	\$ 24,464
Receivable in one to five years	<u>-</u>	<u>16,347</u>
Gross unconditional promises to give	18,317	40,811
Less: Discounts to net present value*	-	(1,518)
Less: Allowance for uncollectible pledges receivable	<u>(3,664)</u>	<u>(7,385)</u>
Net unconditional promises to give	<u>\$ 14,653</u>	<u>\$ 31,908</u>

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NOTES TO FINANCIAL STATEMENTS

Reconciliation to net pledges receivable reported on the statements of financial position at December 31:

	<u>2019</u>	<u>2018</u>
Receivable in less than one year	\$ 18,317	\$ 24,464
Less: Allowance for uncollectible pledges receivable	<u>(3,664)</u>	<u>(4,431)</u>
Net current portion of pledges receivable	<u>\$ 14,653</u>	<u>\$ 20,033</u>

	<u>2019</u>	<u>2018</u>
Receivable in one to five years	\$ -	\$ 16,347
Less: Discount to net present value*	-	(1,518)
Less: Allowance for uncollectible pledges receivable	<u>-</u>	<u>(2,954)</u>
Net long-term portion of pledges receivable	<u>\$ -</u>	<u>\$ 11,875</u>

*Long-term pledges receivable are discounted at 5% of present value

NOTE 4 – RETIREMENT PLAN

BBBSAK offers a tax deferred retirement plan to all employees under a Thrift Plan, as allowed by the Internal Revenue Service code section 403(b). The Thrift Plan allows all employees to make contributions up to prescribed limits. Participants over 18 years of age who have completed one year of service for BBBSAK are eligible to receive employer contributions. Prior to August 1, 2011, BBBSAK contributed 3% of eligible participants' compensation to the plan. As of August 1, 2011, employer contributions to the plan are discretionary. For the years ended December 31, 2019 and 2018, contribution expense totaled \$-0- and \$-0-, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	<u>2019</u>	<u>2018</u>
Pledges receivable	\$ 14,653	\$ 31,908
An endowment (Lanie's Fund) established at BBBS-Anchorage	8,169	8,169
Donation for an endowment fund for BBBS-Fairbanks	<u>1,000</u>	<u>1,000</u>
Total net assets with donor restrictions	<u>\$ 23,822</u>	<u>\$ 41,077</u>

NOTE 6 – IN-KIND EXPENSE

Contributions of goods are valued at market rates that are generally provided by the donor. In fiscal years 2019 and 2018 in-kind contributions of \$35,067 and \$49,724, respectively, were recognized as revenue and expense.

Many individuals volunteer their time and perform a variety of tasks that assist BBBSAK with

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NOTES TO FINANCIAL STATEMENTS

specific assistance programs, campaign solicitations, and various committee assignments. The majority of BBBSAK's volunteers serve as mentors, and in fiscal years 2019 and 2018 mentors donated approximately 39,900 and 44,437 hours of their time, respectively. These donated services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605-25-16 have not been met.

NOTE 7 – RELATED PARTY TRANSACTIONS

In 1998, individuals involved with Big Brothers Big Sisters of Anchorage, Inc. (BBBSA) created For the Kids Foundation, Inc. (the Foundation) to serve as a fundraising support organization to BBBSA. On August 1, 2007 the Alaskan Big Brothers Big Sisters entities merged and BBBSA is now part of BBBSAK. The Foundation's enabling documents provide that it shall contribute its operating cash flow, net of expenses, capital and debt service outlays and a reasonable provision of reserves to BBBSA prior to the merger and to BBBSAK subsequent to the merger. The CEO of BBBSAK is the CEO of the Foundation, and the Foundation is governed by a board of directors independent of BBBSAK. The Foundation's board of directors' monitors contributions to BBBSAK.

For the years ended December 31, 2019 and 2018 BBBSAK received \$250,000 and \$200,000 from the Foundation, respectively. BBBSAK provides administrative support to the Foundation for a fee equal to BBBSAK's cost. The amounts received from the Foundation consist of \$236,932 and \$187,095 in contributions, and \$13,168 and \$12,905 in administrative expenses, for the years ended December 31, 2019 and 2018, respectively.

NOTE 8 – LEASES

Operating Leases

BBBSAK conducts its administrative operations from a leased facility. Lease payments for this facility were \$3,611 per month in fiscal year 2019. BBBSAK also has several month-to-month leases, and leases that renew annually, for the rental of office space at its various locations throughout Alaska. Lease expense for all of BBBSAK's locations totaled \$72,379 and \$79,663 for the years ended December 31, 2019 and 2018, respectively. The following is a schedule of future minimum lease payments under operating leases at December 31, 2019:

Year Ending December 31:	
2020	11,565
2021	7,745
2022	7,745
2023	7,100
Total	<u>\$ 34,155</u>

In addition to its office leases, BBBSAK also has leases for its copiers.

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NOTE 9 – CONCENTRATIONS

Government Grant Revenue

BBBSAK receives a substantial amount of its support from federal and state grants. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

For the Kids Foundation

In 2019 and 2018, BBBSAK received 18.05% and 14.98%, respectively, of its revenues and public support, excluding in-kind, from the Foundation. The Foundation's income is derived primarily from its pickup service in which it collects donated items and re-sells them to a retail thrift store operator. Under the terms of the Foundation's annual contract for resale of donated goods, the Foundation is precluded from selling to other buyers. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

Cash in Excess of FDIC Coverage

BBBSAK maintains its cash in bank deposit accounts, which at times, may exceed the FDIC insured limited of \$250,000 per financial institution. At December 31, 2019, BBBSAK had cash balances in excess of Federally insured limits of approximately \$164,807. BBBSAK has not experienced any losses in such accounts.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grant Revenue and Receivables

Amounts received or receivable under grant programs from the federal government or State of Alaska are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although BBBSAK expects such amounts, if any, to be immaterial.

Gaming Revenue

BBBSAK receives gaming revenue that must be used for specific purposes to not be considered taxable income. BBBSAK has used all its gaming revenue for an allowable purpose and the amount, if any, considered to be taxable is expected to be immaterial.

Litigation

In the ordinary course of business, BBBSAK may be involved in legal actions, claims, employee matters, and disputes incidental to its operations. While the ultimate results of these items cannot be predicted with certainty, management does not expect at this time the resolution of them to have a material adverse effect on BBBSAK's financial position, results of operations, or its liquidity.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent Events

BBBSAK's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

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NOTES TO FINANCIAL STATEMENTS

Business Disruption

Due to the government mandated restrictions and economic uncertainties created by the COVID-19 virus, BBBSAK was subject to reduced operations temporarily during 2020. BBBSAK has taken measures to mitigate the loss of revenue by applying for a loan in the amount of approximately \$166,526 from the Payroll Protection Program, which has been confirmed as funded on April 23, 2020. Due to economic uncertainty, the overall impact of the disruption to the Organization cannot be estimated at this time.