

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

(With Summarized Totals for the Year Ended June 30, 2019)

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

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Independent Auditor's Report

Board of Directors
Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. as of June 30, 2020, 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.

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Board of Directors
Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.

Report on Summarized Comparative Information

We have previously audited Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.'s June 30, 2019, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



RITZ-HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
November 19, 2020

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(With Summarized Totals for June 30, 2019)

ASSETS	2020	2019
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,160,661	\$ 1,784,020
Grants Receivable	112,970	123,710
Current Pledges Receivable	186,376	248,629
Prepaid Expenses and Supplies on Hand	41,851	37,185
Total Current Assets	\$ 2,501,858	\$ 2,193,544
FIXED ASSETS		
Furniture and Fixtures	\$ 3,009	\$ 3,009
Equipment	70,128	56,758
Leased Capital Equipment	---	9,670
Leasehold Improvements	48,238	48,238
Total Fixed Assets	\$ 121,375	\$ 117,675
Less: Accumulated Depreciation	(104,795)	(108,425)
Net Fixed Assets	\$ 16,580	\$ 9,250
Other Assets		
Long-Term Pledges Receivable	\$ ---	\$ 105,000
Endowment Fund	205,028	203,943
Total Other Assets	\$ 205,028	\$ 308,943
TOTAL ASSETS	\$ 2,723,466	\$ 2,511,737
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,677	\$ 26,508
Accrued Payroll Liabilities	94,686	84,965
Capital Lease Obligations	---	1,450
Current Portion of PPP Loan	76,221	---
Total Current Liabilities	\$ 179,584	\$ 112,923
LONG-TERM LIABILITIES		
Paycheck Protection Program Loan	\$ 274,500	\$ ---
Less: Current Portion	(76,221)	---
Total Long-Term Liabilities	\$ 198,279	\$ ---
Total Liabilities	\$ 377,863	\$ 112,923
NET ASSETS		
Without Donor Restrictions		
Undesignated	\$ 1,594,592	\$ 1,553,652
Board Designated	205,028	203,943
Total Net Assets Without Donor Restrictions	\$ 1,799,620	\$ 1,757,595
With Donor Restrictions	545,983	641,219
Total Net Assets	\$ 2,345,603	\$ 2,398,814
TOTAL LIABILITIES AND NET ASSETS	\$ 2,723,466	\$ 2,511,737

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
REVENUE				
Contributions and Grants	\$ 762,349	\$ 373,764	\$ 1,136,113	\$ 1,141,262
United Way	160,689	---	160,689	190,164
Big Brothers Big Sisters of America	190,088	---	190,088	113,902
Community Advocates, Inc.	130,000	---	130,000	137,500
Special Events Revenue	608,742	83,538	692,280	851,126
Special Events Expense	(204,152)	---	(204,152)	(187,629)
Inaugural Event Charitable Partner Revenue, Net	(645)	---	(645)	495,431
Interest Income	17,911	---	17,911	1,903
Net Investment Return	1,085	---	1,085	5,013
Waukesha County and Milwaukee County Community Development Block Grant	32,780	---	32,780	25,016
Donated Goods and Services	145,606	3,681	149,287	323,318
Net Assets Released from Restrictions	556,219	(556,219)	---	---
Total Revenue	<u>\$ 2,400,672</u>	<u>\$ (95,236)</u>	<u>\$ 2,305,436</u>	<u>\$ 3,097,006</u>
EXPENSES				
Program Services	\$ 1,562,660	\$ ---	\$ 1,562,660	\$ 1,807,535
Management and General	328,397	---	328,397	242,642
Marketing and Development	441,590	---	441,590	399,408
Subtotal	<u>\$ 2,332,647</u>	<u>\$ ---</u>	<u>\$ 2,332,647</u>	<u>\$ 2,449,585</u>
Unallocated Payments to National	26,000	---	26,000	17,617
Total Expenses	<u>\$ 2,358,647</u>	<u>\$ ---</u>	<u>\$ 2,358,647</u>	<u>\$ 2,467,202</u>
 CHANGE IN NET ASSETS	 \$ 42,025	 \$ (95,236)	 \$ (53,211)	 \$ 629,804
Net Assets, Beginning of Year	<u>1,757,595</u>	<u>641,219</u>	<u>2,398,814</u>	<u>1,769,010</u>
 NET ASSETS, END OF YEAR	 <u>\$ 1,799,620</u>	 <u>\$ 545,983</u>	 <u>\$ 2,345,603</u>	 <u>\$ 2,398,814</u>

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

	Program Services	Management and General	Marketing and Development	2020 Total	2019 Total
Salaries	\$ 933,036	\$ 195,823	\$ 294,498	\$ 1,423,357	\$ 1,371,761
Employee Benefits	104,924	10,791	28,543	144,258	167,117
Retirement Expense	17,683	5,157	4,437	27,277	30,058
Payroll Taxes	73,176	14,396	21,759	109,331	104,812
Travel Expense	10,711	1,432	1,744	13,887	18,153
Telephone	8,391	1,404	1,636	11,431	11,827
Supplies	51,829	11,538	2,383	65,750	85,028
Postage and Shipping	2,028	607	2,923	5,558	7,340
Printing	803	95	7,869	8,767	7,606
Dues and Subscriptions	1,656	983	1,375	4,014	3,182
Occupancy	136,048	15,285	30,175	181,508	172,531
Insurance	44,877	4,806	8,782	58,465	53,346
Marketing and Recruitment	4,442	---	1,286	5,728	3,222
Equipment Maintenance and Rental	3,669	2,218	1,380	7,267	7,243
Information Technology	22,071	2,478	21,738	46,287	26,679
Depreciation	3,442	383	764	4,589	3,018
Professional Fees	58,797	20,496	1,803	81,096	80,276
Conferences, Meetings and Staff Development	2,987	3,639	750	7,376	13,484
Volunteer Events and Cultivation	3,180	---	---	3,180	2,676
Program Activities	78,910	10,407	7,745	97,062	269,648
Bad Debt Expense	---	24,000	---	24,000	---
Unrelated Business Income (Refund) Tax	---	(512)	---	(512)	6,780
Other Expenses	---	---	---	---	170
Bank Fees	---	2,971	---	2,971	3,628
Subtotal Expenses	<u>\$ 1,562,660</u>	<u>\$ 328,397</u>	<u>\$ 441,590</u>	<u>\$ 2,332,647</u>	<u>\$ 2,449,585</u>
Special Event Expenses					
Facility Costs	\$ ---	\$ ---	\$ 61,553	\$ 61,553	\$ 60,137
Prizes and Awards	---	---	27,019	27,019	25,706
Equipment Rental and Maintenance	---	---	8,763	8,763	8,621
Professional Fees	---	---	7,333	7,333	7,685
Supplies	---	---	89,892	89,892	76,612
Postage and Printing	---	---	5,647	5,647	2,993
Travel	---	---	3,945	3,945	5,875
Subtotal Special Event Expenses	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 204,152</u>	<u>\$ 204,152</u>	<u>\$ 187,629</u>
TOTAL EXPENSES	<u>\$ 1,562,660</u>	<u>\$ 328,397</u>	<u>\$ 645,742</u>	<u>\$ 2,536,799</u>	<u>\$ 2,637,214</u>
Unallocated Payments to National Organization				<u>\$ 26,000</u>	<u>\$ 17,617</u>

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
(With Summarized Totals for the Year Ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (53,211)	\$ 629,804
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,589	3,018
Gain on Investments	(1,085)	(5,013)
(Increase) Decrease in Grants Receivable	10,740	(84,438)
(Increase) Decrease in Pledges Receivable	167,253	(33,875)
(Increase) Decrease in Prepaid Expenses and Supplies on Hand	(4,666)	(2,280)
Increase (Decrease) in Accounts Payable	(17,831)	8,479
Increase (Decrease) in Accrued Payroll Liabilities	9,721	4,091
Net Cash Provided by Operating Activities	\$ 115,510	\$ 519,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	\$ (13,369)	\$ (7,031)
Net Cash Used by Investing Activities	\$ (13,369)	\$ (7,031)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the Paycheck Protection Program Loan	\$ 274,500	\$ ---
Payments on Capital Lease	---	(1,934)
Net Cash Provided (Used) by Financing Activities	\$ 274,500	\$ (1,934)
Net Increase in Cash and Cash Equivalents	\$ 376,641	\$ 510,821
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,784,020	1,273,199
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 2,160,661	\$ 1,784,020
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
The Organization's leased asset was returned prior to the end of the lease term. The Organization lease obligation was extinguished.	\$ 1,450	\$ ---

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

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2020

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - Summary of Significant Accounting Policies

Organization

The mission of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. (the "Organization") is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever. The Organization is an affiliate of Big Brothers Big Sisters of America. Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. is one of the 30 largest Big Brothers and Big Sisters organizations out of 250 in the country.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Accounting Method

The financial statements of Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc. have been prepared on the accrual basis of accounting.

Contributions and Grant Revenue

Contributions and unconditional promises to give received by the Organization are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year 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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - Summary of Significant Accounting Policies (continued)

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with maturities of three months or less at purchase.

Pledges Receivable

Pledges receivable are recorded when the Organization receives an unconditional promise to give or when the condition is met of a conditional promise to give.

Allowance for Doubtful Accounts

Pledges receivables are stated net of an allowance for doubtful accounts. The Organization's estimate uses historical experience of the relationship between actual bad debts and net amounts pledged.

Prepaid Expenses and Supplies on Hand

Prepaid expenses are future expenses paid in advance and are reported on the statement of financial position as an asset. Supplies received or purchased that are expected to be used at a future date are reported on the statement of financial position as an asset.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalized all assets with values of \$1,000 or greater.

Marketing and Recruitment

The Organization uses marketing and recruitment to promote its programs and recruit individuals among the audiences it serves. Marketing and recruitment costs are expensed as incurred. Marketing and recruitment expense for the year ended June 30, 2020, was \$5,728.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE A - Summary of Significant Accounting Policies (continued)

Functional Expenses

The Organization allocates costs based their functional and natural classification in the statement of functional expenses. Program costs are those associated with carrying out the mission; management costs are those for accounting, human resources, budgeting or for the board of directors; fundraising costs are those attributed to the solicitation of contributions. Costs are allocated to each function directly whenever possible. Wages of individuals working in more than one function are allocated based on estimated time in each function and other costs are allocated based on the estimated benefit to each function.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - Accounting Change

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended June 30, 2020. The updates are required and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the guidance is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled.

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended June 30, 2020. This update is required. The goal of this update is to help organizations determine reciprocal and nonreciprocal transactions. The guidance clarifies that an exchange transaction is when the resource provider receives equal value in return for what the resource provider pays. When the general public is the recipient of the service or goods, the transaction is not considered a reciprocal transaction, it is considered a contribution. The guidance also clarifies that a conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of July 1, 2019. Results for reporting periods beginning after July 1, 2019, are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy generally accepted accounting principles.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE B - Accounting Change (continued)

The adoption of this new standards did not result in a material impact to the Organization's financial statements. The financial statements include new note disclosures required by the standard, but there was no significant effect on the financial statements related to the adoption of this new standard which would require cumulative effect adjustment to net assets at the date of adoption under the modified retrospective method.

Future Accounting Pronouncements

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

NOTE C - Comparative Financial Information and Reclassifications

The financial information shown for 2019 in the accompanying financial statements is included to provide a basis for comparison with 2020. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE D - Liquidity

Financial assets are those items expected to be readily convertible to cash within one year of the statement of financial position date. Financial assets are available for general expenditures, liabilities and to pay other obligations as they come due. The Organization's operations are funded primarily through donations. Donations that are restricted by the donor to be used for a specific purpose are excluded from financial assets available for use. However, donations restricted because not yet collected are included in financial assets if they are expected to be collected within one year from the financial position date. In addition to the financial assets listed below, the Organization has a committed line of credit of \$250,000 available for use with no amounts in use as of June 30, 2020.

The Organization has liquid financial assets available of the following at June 30, 2020:

<u>Source</u>	<u>Amount</u>
Cash and Cash Equivalents	\$2,160,661
Grants Receivable	112,970
Current Pledges Receivable	186,376
Less: Restricted for Mentor 2.0	<u>(135,000)</u>
Total Assets Available For Use	<u>\$2,325,007</u>

NOTE E - Concentration of Credit Risk

The Organization maintains its cash balances at a financial institution located in Wisconsin. The combined account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2020, the Organization's uninsured cash balances totaled \$1,911,941.

NOTE F - Grants Receivable

Grants receivable consist of the following amounts at June 30, 2020:

<u>Source</u>	<u>Amount</u>
Community Advocates, Inc.	\$ 22,647
Waukesha and Milwaukee County Community Development Block Grant	14,248
Big Brothers Big Sisters of America	<u>76,075</u>
Total	<u>\$112,970</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE G - Pledges Receivable

Pledges receivable consist of unconditional individual, foundation, and United Way pledges to be collected in future periods.

Future pledges are expected to be collected within the upcoming fiscal year.

<u>Balances consist of the following as of June 30, 2020,</u>	<u>Amount</u>
Gross Pledges Receivable	\$191,376
Less: Allowance for Doubtful Accounts	<u>(5,000)</u>
Pledges Receivable	<u>\$186,376</u>

NOTE H - Line of Credit

The Organization has a variable rate revolving line of credit with an available balance of \$250,000. The lender has the right to cancel the line of credit as it relates to future advances at any time without notice and to demand payment upon 90 days advance notice to the Organization. The interest rate on the line of credit is determined to be 4.52% as of June 30, 2020, based on 1.270 points over the highest Prime Rate as published daily in the "Money Rates" section of the Wall Street Journal adjusted each day and will become effective without notice to the Organization. The line of credit is secured by all personal and real property. The line of credit was not being used as of June 30, 2020.

NOTE I - Paycheck Protection Program Loan Payable

The Organization received a loan through the Paycheck Protection Program of \$274,500 on April 18, 2020. The Organization may be eligible for full or partial loan forgiveness based on if the proceeds are spent on eligible expenditures in the allotted loan coverage period and if the Organization maintains levels of employment as required in the CARES Act. If not forgiven, the loan would be payable over 2 years with a 1% interest rate. Payments are deferred for 10 months after the loan coverage period, however, interest accrues over this period. If the loan is forgiven, any accrued interest is also forgiven.

Future principal payments under this loan are:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2021	\$ 76,221
2022	<u>198,279</u>
Total	<u>\$274,500</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE J - Office Lease

The Organization leases office space located in Milwaukee, Wisconsin, under a lease that extends through May 31, 2025. In addition, the Organization paid \$150 per month for storage space. Total rent expense for the year ended June 30, 2020, was \$114,396.

Minimum future rental payments under this non-cancelable operating lease are:

<u>For the Years Ending June 30,</u>	<u>Amount</u>
2021	\$115,002
2022	117,877
2023	120,824
2024	123,845
2025	<u>116,121</u>
Total	<u>\$593,669</u>

NOTE K - Retirement Plan

The Organization has established a Simplified Employee Pension plan. Employees who have performed services for the Organization during at least two of the immediately preceding plan years and who are age 21 are eligible to participate. The Organization contributed 4% of employees' compensation. Retirement expense for the year ended June 30, 2020, was \$27,277.

NOTE L - Fair Value Measurements

The Organization has adopted the Financial Accounting Standards Board guidance on fair value measurements. A three-tier hierarchy is used to maximize the use of observable market data inputs and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets valued using level 2 inputs are based primarily on quoted prices for similar assets in active or inactive markets. Financial assets valued using level 3 inputs are based primarily on valuation models with significant unobservable pricing inputs and which result in the use of management estimates.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE L - Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020.

<u>Investment Category</u>	<u>Fair Value</u>	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Greater Milwaukee Foundation Investments	\$205,028	\$ ---	\$ ---	\$205,028
Total	\$205,028	\$ ---	\$ ---	\$205,028

Greater Milwaukee Foundation investments include equity securities, fixed income securities, absolute return hedge funds, and long/short equity hedge funds. The funds are held by the Greater Milwaukee Foundation which reports on a calendar year.

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

<u>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</u>		
	<u>GMF Investments</u>	<u>Total</u>
Beginning Balance, July 1, 2019	\$203,943	\$203,943
Net Investment Return	<u>1,085</u>	<u>1,085</u>
Ending Balance, June 30, 2020	<u>\$205,028</u>	<u>\$205,028</u>

The amount of investment return for the year ended June 30, 2020, included in net assets with donor restrictions relating to assets still held at the reporting date was \$1,085.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE M - Endowment Fund - Greater Milwaukee Foundation

The Organization’s endowment gifts are invested in an agency endowment component fund, known as the *Big Brothers Big Sisters of Metro Milwaukee Fund* (the “Fund”), at the Greater Milwaukee Foundation, a community foundation.

Interpretation of Relevant Law

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and thus classifies amounts in its endowment funds in accordance with accordance with the donor’s wishes. If a donor restricts contributions to the endowment, the endowment is included with net assets with donor restrictions. Donor gifts for the endowment that are intended by the Organization to be invested in perpetuity, but for which the donor has granted the board the right to vote and otherwise use the gift, are considered to be board-designated endowment funds.

Assets of the Fund

The *Big Brothers Big Sisters of Metro Milwaukee Fund* assets are included in an investment pool of contributions, investment income and losses, distributions and investment fees. Distributions from the Fund are made in accordance with the Greater Milwaukee Foundation’s distribution policy in effect from time to time. The Greater Milwaukee Foundation utilizes a total return spending policy that allows for a long-term approach in order to achieve an expected return greater than the total of the spending rate and inflation rate and which will maintain the purchasing power of the corpus. The 2016 and 2015 spending rate was 4.75%. Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. has elected to reinvest any distributions until the value of the Fund reaches \$1,000,000.

Big Brothers Big Sisters of Metropolitan Milwaukee, Inc.’s Fund contract allows for distributions greater than those set by the Greater Milwaukee Foundation’s distribution policy up to a maximum of 100% including all of the principal and income of the Fund. Such distributions may be made if recommended by an 80% vote of the Big Brothers and Big Sisters of Metropolitan Milwaukee, Inc.’s board of directors and approved by the Greater Milwaukee Foundation’s board of directors. The *Big Brothers Big Sisters of Metro Milwaukee Fund* is reported at the fair value of the fund of \$205,028 as of June 30, 2020.

Endowment net asset composition as of June 30, 2020, consists of the following:

	<u>Board Designated</u>	<u>Endowment Total</u>
Greater Milwaukee Foundation	<u>\$205,028</u>	<u>\$205,028</u>

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE N - Net Assets Released From Restrictions

During the year ended June 30, 2020, net assets released from restrictions consist of the following:

<u>Source</u>	<u>Amount</u>
Leadership (Board)	\$ 15,500
2020 Mentor 2.0	62,000
2020 General Operations	225,500
Individuals	5,000
Corporation	10,000
Gala	83,500
Golf 2020	143,100
Golf 2021	1,000
Bowl For Kids' Sake	2,000
Donated Goods Bowl for Kids' Sake	425
Donated Goods Golf 2020	6,394
Donated Goods Gala	<u>1,800</u>
Total	<u>\$556,219</u>

NOTE O - Net Assets With Donor Restrictions and Board Designated Net Assets

Net assets with donor restrictions consist of the following at June 30, 2020:

<u>Source</u>	<u>Amount</u>
<u>Time-Restricted</u>	
Donations 2021	\$287,764
Leadership 2020	<u>8,500</u>
Subtotal	<u>\$296,264</u>
<u>Time- and Purpose-Restricted</u>	
Mentor 2.0 Pledge 2021	\$135,000
Golf 2021	72,038
Gala 2020	39,000
Donated Goods Golf 2021	2,930
Donated Goods Gala 2020	<u>751</u>
Subtotal	<u>\$249,719</u>
Total	<u>\$545,983</u>

Board designated endowment includes donor gifts for the endowment intended by the Organization to be invested in perpetuity, but for which the donor has granted the board the right to vote and otherwise use the gift of \$205,028.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE P - Donated Goods and Services

The Organization received donated goods and services for match activities, special events, reduced rent and volunteer time.

Only donated services requiring specialized skills are included in financial statements per generally accepted accounting principles. Therefore, 110,252 hours of mentoring services, valued at \$25.43 per hours by the Independent Sector, are not included in the financial statements with a value of \$2,803,708. If program mentoring hours were included in the financial statement amounts, Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. would realize a ratio of expenses at 85% program expenses and 15% supporting expenses.

Donated goods and services consist of the following for the year ended June 30, 2020:

<u>Included in the Financial Statements</u>	<u>Amount</u>
Rent	\$ 54,938
Program Tickets and Supplies	61,604
Donated M2.0 Staffing and Event Space	25,000
Training	<u>7,745</u>
Total	\$149,287
Special Event Donations	<u>64,966</u>
Total	<u>\$214,253</u>
<u>Not Included in the Financial Statements</u>	<u>Amount</u>
Hourly Value	\$ 25.43
Program Mentoring Hours	<u>110,252</u>
Total	<u>\$2,803,708</u>

NOTE Q - Board Donations

During the year ended June 30, 2020, board members and their affiliated companies and foundations donated \$659,196.

NOTE R - Conditional Contributions and Grants

The Organization has contracts for which it receives government funding with specific use stipulations requiring funds be used only on qualifying expenses determined by the grant contract and allowable cost policies. The Organization will not receive the grant funds unless spent on the required activity and within the allowable cost guidance. As of June 30, 2020, the Organization has available grant funds of \$121,091 and \$157,435 available through December 31, 2020, and March 31, 2021, respectively.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE S - Revenue from Contracts with Customers

The Organization holds several annual fundraising events, such as The Big Gala, the NFL Alumni Golf Classic, and the Bowl For Kids' Sake. Registration fees for the events cover the cost of food and entertainment and also include a contribution or sponsorship portion. The exchange transaction, or revenue from contracts with customers, is considered to be the amount received in exchange for the value of food and entertainment provided and is recorded at the point in time of the event. Amounts received in advance of events are included as refundable advances and amounts owed for past events are included in accounts receivable. The contribution portion of the registration fee and sponsorships are treated as contributions and recorded when received or pledged. Contributions and sponsorships are included in net assets with donor restrictions until the event is held. Revenue for special events in the year ended June 30, 2020, was \$692,280 of which \$152,083 is considered to be in exchange for the value of food and entertainment. There were no assets or liabilities related to revenue from contracts with customers as of June 30, 2020.

NOTE T - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of June 30, 2020, the Organization expects a refund of \$9,000 for prior year taxes paid on taxable qualified fringe benefits determined by the Tax Cuts and Jobs Act passed in December 2017, which has since been repealed retroactively allowing organizations to file amended returns and request a refund of taxes paid.

NOTE U - Subsequent Events

The Organization evaluated subsequent events and transactions for possible adjustments to the financial statements and disclosures. The Organization has considered events and transactions occurring after June 30, 2020, the date of the most recent statement of financial position, through November 19, 2020, the date the financial statements are available to be issued. It has been determined that no subsequent events need to be disclosed.

The COVID-19 outbreak in the United States has caused business disruption to many businesses and nonprofit organizations. While the disruption is expected to be temporary, there is uncertainty around the duration of the pandemic and it is unknown at this time if there may be any economic impact to the Organization's subsequent financial statements.