

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.

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Independent Auditor's Report

Board of Directors
Big Brothers Big Sisters of Metro Milwaukee, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Metro Milwaukee, Inc. which comprise the statement of financial position as of June 30, 2021, 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 Big Sisters of Metro Milwaukee, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Ritz Holman LLP
Serving business, nonprofits, individuals and trusts.

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Board of Directors
Big Brothers Big Sisters of Metro Milwaukee, Inc.

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Metro Milwaukee, Inc.'s June 30, 2020, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 19, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 18, 2021

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(With Summarized Totals for June 30, 2020)

| ASSETS | | |
|---|---------------------|---------------------|
| | 2021 | 2020 |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 2,568,722 | \$ 2,160,661 |
| Grants Receivable | 159,264 | 112,970 |
| Current Pledges Receivable | 226,555 | 186,376 |
| Prepaid Expenses and Supplies on Hand | 67,009 | 41,851 |
| Activity Passes on Hand | 57,000 | --- |
| Total Current Assets | \$ 3,078,550 | \$ 2,501,858 |
| FIXED ASSETS | | |
| Furniture and Fixtures | \$ 1,009 | \$ 3,009 |
| Equipment | 52,916 | 70,128 |
| Leasehold Improvements | 48,238 | 48,238 |
| Total Fixed Assets | \$ 102,163 | \$ 121,375 |
| Less: Accumulated Depreciation | (90,172) | (104,795) |
| Net Fixed Assets | \$ 11,991 | \$ 16,580 |
| Other Assets | | |
| Long-Term Pledges Receivable | \$ 70,000 | \$ --- |
| Endowment Fund | 265,126 | 205,028 |
| Total Other Assets | \$ 335,126 | \$ 205,028 |
| TOTAL ASSETS | \$ 3,425,667 | \$ 2,723,466 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 21,769 | \$ 8,677 |
| Accrued Payroll Liabilities | 83,582 | 94,686 |
| Refundable Advances | 18,673 | --- |
| Current Portion of PPP Loan | 277,706 | 76,221 |
| Total Current Liabilities | \$ 401,730 | \$ 179,584 |
| OTHER LIABILITIES | | |
| Paycheck Protection Program Loan and Accrued Interest | \$ 277,706 | \$ 274,500 |
| Less: Current Portion | (277,706) | (76,221) |
| Total Long-Term Liabilities | \$ --- | \$ 198,279 |
| Total Liabilities | \$ 401,730 | \$ 377,863 |
| NET ASSETS | | |
| Without Donor Restrictions | | |
| Undesignated | \$ 1,849,160 | \$ 1,594,592 |
| Board Designated | 265,126 | 205,028 |
| Total Net Assets Without Donor Restrictions | \$ 2,114,286 | \$ 1,799,620 |
| With Donor Restrictions | 909,651 | 545,983 |
| Total Net Assets | \$ 3,023,937 | \$ 2,345,603 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,425,667 | \$ 2,723,466 |

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, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>2021 Total</u> | <u>2020 Total</u> |
|---|---------------------------------------|------------------------------------|----------------------------|----------------------------|
| REVENUE | | | | |
| Contributions and Grants | \$ 656,044 | \$ 584,805 | \$ 1,240,849 | \$ 1,136,113 |
| United Way | 141,406 | --- | 141,406 | 160,689 |
| Big Brothers Big Sisters of America | 349,168 | --- | 349,168 | 190,088 |
| Community Advocates, Inc. | 160,714 | --- | 160,714 | 130,000 |
| Special Events Revenue | 434,084 | 265,346 | 699,430 | 692,280 |
| Special Events Expense | (18,771) | --- | (18,771) | (204,152) |
| Inaugural Event Charitable Partner Revenue, Net | --- | --- | --- | (645) |
| Interest Income | 2,966 | --- | 2,966 | 17,911 |
| Net Investment Return | 60,098 | --- | 60,098 | 1,085 |
| Waukesha County and Milwaukee County Community Development Block Grant | 32,524 | --- | 32,524 | 32,780 |
| Donated Goods and Services | 201,309 | 57,000 | 258,309 | 149,287 |
| Net Assets Released from Restrictions | 543,483 | (543,483) | --- | --- |
| Total Revenue | <u>\$ 2,563,025</u> | <u>\$ 363,668</u> | <u>\$ 2,926,693</u> | <u>\$ 2,305,436</u> |
| EXPENSES | | | | |
| Program Services | \$ 1,552,557 | \$ --- | \$ 1,552,557 | \$ 1,562,660 |
| Management and General | 326,317 | --- | 326,317 | 328,397 |
| Marketing and Development | 344,727 | --- | 344,727 | 441,590 |
| Subtotal | <u>\$ 2,223,601</u> | <u>\$ ---</u> | <u>\$ 2,223,601</u> | <u>\$ 2,332,647</u> |
| Unallocated Payments to National | 24,758 | --- | 24,758 | 26,000 |
| Total Expenses | <u>\$ 2,248,359</u> | <u>\$ ---</u> | <u>\$ 2,248,359</u> | <u>\$ 2,358,647</u> |
| CHANGE IN NET ASSETS | \$ 314,666 | \$ 363,668 | \$ 678,334 | \$ (53,211) |
| Net Assets, Beginning of Year | <u>1,799,620</u> | <u>545,983</u> | <u>2,345,603</u> | <u>2,398,814</u> |
| NET ASSETS, END OF YEAR | <u>\$ 2,114,286</u> | <u>\$ 909,651</u> | <u>\$ 3,023,937</u> | <u>\$ 2,345,603</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, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

| | Program Services | Management and General | Marketing and Development | 2021 Total | 2020 Total |
|--|----------------------------|---------------------------|------------------------------|----------------------------|----------------------------|
| Salaries | \$ 925,595 | \$ 213,674 | \$ 239,565 | \$ 1,378,834 | \$ 1,423,357 |
| Employee Benefits | 119,012 | 3,625 | 22,364 | 145,001 | 144,258 |
| Retirement Expense | 19,065 | 5,833 | 4,228 | 29,126 | 27,277 |
| Payroll Taxes | 69,848 | 18,579 | 16,810 | 105,237 | 109,331 |
| Travel Expense | 3,558 | 1,670 | 1,661 | 6,889 | 13,887 |
| Telephone | 8,128 | 975 | 1,585 | 10,688 | 11,431 |
| Supplies | 45,803 | 12,250 | 1,870 | 59,923 | 65,750 |
| Postage and Shipping | 3,741 | 765 | 2,479 | 6,985 | 5,558 |
| Printing | 1,729 | 98 | 3,906 | 5,733 | 8,767 |
| Dues and Subscriptions | 1,245 | 666 | 1,250 | 3,161 | 4,014 |
| Occupancy | 136,113 | 17,390 | 26,000 | 179,503 | 181,508 |
| Insurance | 26,668 | 3,380 | 5,616 | 35,664 | 58,465 |
| Marketing and Recruitment | 7,651 | 133 | 221 | 8,005 | 5,728 |
| Equipment Maintenance and Rental | 3,211 | 1,107 | 1,043 | 5,361 | 7,267 |
| Information Technology | 17,626 | 3,834 | 13,719 | 35,179 | 46,287 |
| Depreciation | 3,484 | 439 | 666 | 4,589 | 4,589 |
| Professional Fees | 22,541 | 21,933 | 1,706 | 46,180 | 81,096 |
| Conferences, Meetings and Staff Development | 1,013 | 1,013 | 38 | 2,064 | 7,376 |
| Volunteer Events and Cultivation | 1,598 | --- | --- | 1,598 | 3,180 |
| Program Activities | 134,928 | 13,612 | --- | 148,540 | 97,062 |
| Bad Debt Expense | --- | --- | --- | --- | 24,000 |
| Unrelated Business Income (Refund) Tax | --- | (2,806) | --- | (2,806) | (512) |
| Other Expenses | --- | 3,527 | --- | 3,527 | --- |
| Bank Fees | --- | 4,620 | --- | 4,620 | 2,971 |
| Subtotal Expenses | <u>\$ 1,552,557</u> | <u>\$ 326,317</u> | <u>\$ 344,727</u> | <u>\$ 2,223,601</u> | <u>\$ 2,332,647</u> |
| Special Event Expenses | | | | | |
| Facility Costs | \$ --- | \$ --- | \$ 1,810 | \$ 1,810 | \$ 61,553 |
| Prizes and Awards | --- | --- | 3,056 | 3,056 | 27,019 |
| Equipment Rental and Maintenance | --- | --- | --- | --- | 8,763 |
| Professional Fees | --- | --- | 2,270 | 2,270 | 7,333 |
| Supplies | --- | --- | 7,327 | 7,327 | 89,892 |
| Postage and Printing | --- | --- | 3,953 | 3,953 | 5,647 |
| Travel | --- | --- | 353 | 353 | 3,945 |
| Subtotal Special Event Expenses | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$ 18,769</u> | <u>\$ 18,769</u> | <u>\$ 204,152</u> |
| TOTAL EXPENSES | <u>\$ 1,552,557</u> | <u>\$ 326,317</u> | <u>\$ 363,496</u> | <u>\$ 2,242,370</u> | <u>\$ 2,536,799</u> |
| Unallocated Payments to National Organization | | | | <u>\$ 24,758</u> | <u>\$ 26,000</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, 2021
(With Summarized Totals for the Year Ended June 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 678,334 | \$ (53,211) |
| Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities | | |
| Depreciation | 4,589 | 4,589 |
| Gain on Investments | (60,098) | (1,085) |
| (Increase) Decrease in Grants Receivable | (46,294) | 10,740 |
| (Increase) Decrease in Pledges Receivable | (110,179) | 167,253 |
| (Increase) Decrease in Prepaid Expenses and Supplies on Hand | (25,158) | (4,666) |
| (Increase) Decrease in Activity Passes on Hand | (57,000) | --- |
| Increase (Decrease) in Accounts Payable | 13,092 | (17,831) |
| Increase (Decrease) in Accrued Payroll Liabilities | (11,104) | 9,721 |
| Increase (Decrease) in Refundable Advances | 18,673 | --- |
| Increase (Decrease) in Accrued Interest on the Paycheck Protection Loan | 3,206 | --- |
| Net Cash Provided by Operating Activities | <u>\$ 408,061</u> | <u>\$ 115,510</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Fixed Assets | <u>\$ ---</u> | <u>\$ (13,369)</u> |
| Net Cash Used by Investing Activities | <u>\$ ---</u> | <u>\$ (13,369)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the Paycheck Protection Program Loan | <u>\$ ---</u> | <u>\$ 274,500</u> |
| Net Cash Provided by Financing Activities | <u>\$ ---</u> | <u>\$ 274,500</u> |
| Net Increase in Cash and Cash Equivalents | \$ 408,061 | \$ 376,641 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | <u>2,160,661</u> | <u>1,784,020</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u><u>\$ 2,568,722</u></u> | <u><u>\$ 2,160,661</u></u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| The Organization's leased asset was returned prior to the end of the lease term. The Organization's 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, 2021

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - Summary of Significant Accounting Policies

Organization

The mission of Big Brothers and 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, 2021

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 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 the marketing or recruiting activities take place. Marketing and recruitment expenses for the year ended June 30, 2021, were \$8,005.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 - Future Accounting Pronouncements

Accounting Standards Update 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958) will be effective for fiscal years beginning after June 15, 2021. The amendments in this update are required and provide new presentation and disclosure requirements about contributed nonfinancial assets to nonprofits, including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets will be required to be reported as a separate line in the statement of activities. A financial statement note will be required to provide disaggregated contributed nonfinancial assets by category including: the type of contributed nonfinancial asset; qualitative information about the monetization or utilization of the nonfinancial assets; the policy about the monetization or utilization of nonfinancial assets; a description of restrictions, valuation, and the market used to determine the fair value. The amendments, required to be presented retrospectively to all periods presented, will not change the recognition and measurement requirements for those assets.

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 2020-08, Receivables – Nonrefundable Fees and Other Costs (Topic 310-20) will be effective for fiscal years beginning after December 15, 2021. The amendments in this update represent changes to clarify the codification. An organization shall apply the amendment prospectively. This amendment impacts the effective yield of an existing individual callable debt security.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE B - Future Accounting Pronouncements (continued)

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 2020 in the accompanying financial statements is included to provide a basis for comparison with 2021. 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, 2020, from which the summarized information was derived.

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 available for use are those financial assets that can be used for general expenditures, liabilities and to pay other obligations as they come due. The Organization's operations are funded primarily through donations received throughout the year and especially during periods of fundraising for special events. Donations that are restricted by the donor for a specific purpose are excluded from financial assets available for use. However, pledges receivable that are expected to be collected within one year and available for general use upon collection are included in financial assets available for use. In addition to the financial assets listed below, the Organization has a line of credit of \$250,000 available for use.

The Organization has liquid financial assets available of the following at June 30, 2021:

| <u>Source</u> | <u>Amount</u> |
|--|--------------------|
| Cash and Cash Equivalents | \$2,568,722 |
| Grants Receivable | 159,264 |
| Current Pledges Receivable | 226,555 |
| Less: Purpose Restricted Liquid Assets | <u>(269,490)</u> |
| Total Assets Available For Use | <u>\$2,685,051</u> |

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the Organization's uninsured cash balances totaled \$2,328,049.

NOTE F - Grants Receivable

Grants receivable consist of the following as of June 30, 2021:

| <u>Source</u> | <u>Amount</u> |
|--|------------------|
| Community Advocates, Inc. | \$ 33,473 |
| Waukesha and Milwaukee County Community Development Block Grant | 14,822 |
| Big Brothers Big Sisters of America | <u>110,969</u> |
| Total | <u>\$159,264</u> |

NOTE G - Pledges Receivable

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

| <u>Balances consist of the following as of June 30, 2021</u> | <u>Amount</u> |
|--|------------------|
| Gross Pledges Receivable | \$301,555 |
| Less: Allowance for Doubtful Accounts | <u>(5,000)</u> |
| Net Pledges Receivable | <u>\$296,555</u> |

Pledges are expected to be collected in the following years:

| <u>Year Ended</u> | <u>Amount</u> |
|--------------------------|------------------|
| June 30, 2022 | \$231,555 |
| June 30, 2023 | 60,000 |
| June 30, 2024 | <u>10,000</u> |
| Gross Pledges Receivable | <u>\$301,555</u> |

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE H - 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 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 \$265,126 as of June 30, 2021.

Endowment net asset composition as of June 30, 2021, consists of the following:

| | <u>Board Designated</u> | <u>Endowment Total</u> |
|------------------------------|-----------------------------|----------------------------|
| Greater Milwaukee Foundation | <u>\$265,126</u> | <u>\$265,126</u> |

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE I - 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.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2021.

| <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 | \$265,126 | \$ --- | \$ --- | \$265,126 |
| Total | <u>\$265,126</u> | <u>\$ ---</u> | <u>\$ ---</u> | <u>\$265,126</u> |

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 the value of the fund to the Organization.

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, 2020 | \$205,028 | \$205,028 |
| Net Investment Return | <u>60,098</u> | <u>60,098</u> |
| Ending Balance, June 30, 2021 | <u>\$265,126</u> | <u>\$265,126</u> |

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
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NOTE J - 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, 2021, 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, 2021.

NOTE K - Paycheck Protection Program Loan Payable

The Organization received a loan through the Paycheck Protection Program of \$274,500 on April 18, 2020. The Organization is eligible for loan forgiveness on the loan proceeds that are spent on eligible expenditures in the allotted loan coverage period and if the Organization maintained levels of employment as required in the CARES Act. The portion of the loan not forgiven is 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. During the year ended June 30, 2021, the Organization recorded accrued interest on the loan of \$3,206. The loan payable and accrued interest are \$277,706 as of June 30, 2021.

On October 6, 2021, the Organization received forgiveness on \$243,448 of the \$274,500 loan. The forgiveness amount will be included in revenue in the year ending June 30, 2022. The Organization will be required to pay the remaining loan balance of \$31,052 and accrued interest on that balance. The loan and accrued interest are expected to be paid in full during the year ending June 30, 2022.

NOTE L - Net Assets Released From Restrictions

During the year ended June 30, 2021, net assets released from restrictions consist of the following:

| <u>Source</u> | <u>Amount</u> |
|-------------------------|------------------|
| Leadership (Board) | \$ 8,500 |
| 2021 Mentor 2.0 | 182,500 |
| 2021 General Operations | 217,764 |
| Individuals | 17,000 |
| Corporation | 3,000 |
| Gala | 39,000 |
| Golf | 72,038 |
| Donated Goods Golf | 2,930 |
| Donated Goods Gala | <u>751</u> |
| Total | <u>\$543,483</u> |

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE M - Net Assets With Donor Restrictions and Board Designated Net Assets

Net assets with donor restrictions consist of the following at June 30, 2021:

| <u>Source</u> | <u>Amount</u> |
|-------------------------------------|------------------|
| <u>Time-Restricted</u> | |
| Individuals | \$126,702 |
| Corporations | 81,633 |
| Foundations | <u>346,470</u> |
| Subtotal | <u>\$554,805</u> |
| <u>Time- and Purpose-Restricted</u> | |
| Mentor 2.0 Pledge | \$ 2,500 |
| Foundations – Education | 30,000 |
| Golf | 187,640 |
| Gala | 69,350 |
| Donated Summer Fun Passes on Hand | 57,000 |
| Donated Goods Golf | 4,514 |
| Donated Goods Gala | <u>3,842</u> |
| Subtotal | <u>\$354,846</u> |
| Total | <u>\$909,651</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 \$265,126.

NOTE N - Board Donations

During the year ended June 30, 2021, board members and their affiliated companies and foundations donated \$659,346.

NOTE O - 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, 98,673 hours of mentoring services, valued at \$28.54 per hour by the Independent Sector, are not included in the financial statements with a value of \$2,817,326. 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 87% program expenses and 13% supporting expenses.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
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NOTE O - Donated Goods and Services (continued)

Donated goods and services consist of the following for the year ended June 30, 2021:

| <u>Included in the Financial Statements</u> | <u>Amount</u> |
|---|--------------------|
| Rent | \$ 52,769 |
| Staffing and Virtual Hosting | 30,000 |
| Program Tickets and Supplies | 81,990 |
| Summer Fun Passes on Hand | 57,000 |
| Laptops | 31,300 |
| Camp Scholarship | <u>5,250</u> |
| Total | <u>\$258,309</u> |
| | |
| <u>Not Included in the Financial Statements</u> | <u>Amount</u> |
| Hourly Value | \$ 28.54 |
| Program Mentoring Hours | <u>98,673</u> |
| Total | <u>\$2,816,127</u> |

NOTE P - 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, 2021, the Organization has \$175,988 of grant funds, earned on a cost reimbursement basis, available through December 31, 2021.

NOTE Q - 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 include an exchange component for the value of food and entertainment and a contribution or sponsorship portion. The exchange component is recorded at the point in time of the event. The amount for the exchange component received in advance of events is included in 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.

In the year ended June 30, 2021, the Organization's events did not have an exchange component due to the Coronavirus pandemic.

The Organization has received and included in refundable advances \$18,673 that will be recognized as revenue in exchange for food and entertainment at the golf and gala events that will be held subsequent to June 30, 2021.

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NOTE R - 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, 2021, was \$29,126.

NOTE S - 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. The Organization paid \$117,100 for rent and storage and the received rent in-kind of \$52,769 in the year ended June 30, 2021.

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

| <u>For the Year Ending</u> | <u>Amount</u> |
|----------------------------|------------------|
| June 30, 2022 | \$117,877 |
| June 30, 2023 | 120,824 |
| June 30, 2024 | 123,845 |
| June 30, 2025 | <u>116,121</u> |
| Total | <u>\$478,667</u> |

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, 2021, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.
NOTES TO THE FINANCIAL STATEMENTS
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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, 2021, the date of the most recent statement of financial position, through November 18, 2021, the date the financial statements are available to be issued. It has been determined that the following 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.

The Organization was notified that \$243,448 of the Paycheck Protection Program loan was forgiven on October 6, 2021.