

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**  
**(With Summarized Totals for the Year Ended June 30, 2022)**

**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 Metropolitan Milwaukee, Inc.

### **Opinion**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. (a nonprofit organization) which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Metropolitan Milwaukee, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters of Metropolitan Milwaukee, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Metropolitan Milwaukee, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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

**Report on Summarized Comparative Information**

We have previously audited Big Brothers Big Sisters of Metropolitan Milwaukee, Inc.'s June 30, 2022, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 8, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, 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  
February 23, 2024

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2023**  
**(With Summarized Totals for June 30, 2022)**

ASSETS	2023	2022
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,503,895	\$ 2,979,131
Certificates of Deposit - 6 Months	1,500,000	---
Grants Receivable	142,758	220,688
Current Pledges Receivable	144,753	277,032
Accrued Interest	25,257	---
Prepaid Expenses and Supplies on Hand	50,144	59,326
Total Current Assets	\$ 4,366,807	\$ 3,536,177
<b>FIXED ASSETS</b>		
Furniture and Fixtures	\$ 1,009	\$ 1,009
Equipment	22,360	22,360
Leasehold Improvements	48,238	48,238
Total Fixed Assets	\$ 71,607	\$ 71,607
Less: Accumulated Depreciation	(67,879)	(63,798)
Net Fixed Assets	\$ 3,728	\$ 7,809
<b>LEASES</b>		
Right-of-Use Operating Lease Asset	\$ 239,276	\$ ---
Total leases	\$ 239,276	\$ ---
<b>Other Assets</b>		
Long-Term Pledges Receivable	\$ 2,500	\$ 10,000
Endowment Fund	354,460	243,419
Total Other Assets	\$ 356,960	\$ 253,419
<b>TOTAL ASSETS</b>	\$ 4,966,771	\$ 3,797,405
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 20,330	\$ 36,335
Accrued Payroll Liabilities	73,851	86,391
Refundable Advances	22,317	27,746
Current Portion of Right-of-Use Operating Lease Liability	123,306	---
Total Current Liabilities	\$ 239,804	\$ 150,472
<b>LEASES</b>		
Right-of-Use Operating Lease Liability	\$ 239,276	\$ ---
Less: Current Portion	(123,306)	---
Total Long-Term Liabilities	\$ 115,970	\$ ---
Total Liabilities	\$ 355,774	\$ 150,472
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	\$ 3,553,772	\$ 2,877,789
Board Designated	709,407	243,419
Total Net Assets Without Donor Restrictions	\$ 4,263,179	\$ 3,121,208
With Donor Restrictions	347,818	525,725
Total Net Assets	\$ 4,610,997	\$ 3,646,933
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 4,966,771	\$ 3,797,405

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, 2023**  
**(With Summarized Totals for the Year Ended June 30, 2022)**

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
<b>REVENUE</b>				
Contributions and Grants	\$ 1,423,684	\$ 113,870	\$ 1,537,554	\$ 1,257,899
United Way	141,406	---	141,406	141,406
Big Brothers Big Sisters of America	272,035	---	272,035	322,140
Community Advocates, Inc.	138,598	---	138,598	130,000
Waukesha County and Milwaukee County Community Development Block Grant	34,566	---	34,566	30,908
Special Events Revenue	996,335	184,329	1,180,664	877,013
Special Events Expense	(171,407)	---	(171,407)	(137,386)
Interest Income	64,910	---	64,910	1,329
Net Investment Return	11,041	---	11,041	(21,707)
Donated Goods and Services	175,311	---	175,311	152,937
Paycheck Protection Program Loan Forgiveness	---	---	---	247,510
Other Income	3,050	---	3,050	---
Net Assets Released from Restrictions	476,106	(476,106)	---	---
Total Revenue	<u>\$ 3,565,635</u>	<u>\$ (177,907)</u>	<u>\$ 3,387,728</u>	<u>\$ 3,002,049</u>
<b>EXPENSES</b>				
Program Services	\$ 1,632,068	\$ ---	\$ 1,632,068	\$ 1,665,604
Management and General	429,185	---	429,185	354,766
Marketing and Development	339,823	---	339,823	335,780
Subtotal	<u>\$ 2,401,076</u>	<u>\$ ---</u>	<u>\$ 2,401,076</u>	<u>\$ 2,356,150</u>
Unallocated Payments to National	22,588	---	22,588	22,903
Total Expenses	<u>\$ 2,423,664</u>	<u>\$ ---</u>	<u>\$ 2,423,664</u>	<u>\$ 2,379,053</u>
 CHANGE IN NET ASSETS	 \$ 1,141,971	 \$ (177,907)	 \$ 964,064	 \$ 622,996
Net Assets, Beginning of Year	<u>3,121,208</u>	<u>525,725</u>	<u>3,646,933</u>	<u>3,023,937</u>
 NET ASSETS, END OF YEAR	 <u>\$ 4,263,179</u>	 <u>\$ 347,818</u>	 <u>\$ 4,610,997</u>	 <u>\$ 3,646,933</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, 2023**  
**(With Summarized Totals for the Year Ended June 30, 2022)**

	Program Services	Management and General	Marketing and Development	2023 Total	2022 Total
Salaries	\$ 957,601	\$ 241,624	\$ 224,089	\$ 1,423,314	\$ 1,413,323
Employee Benefits	112,661	17,590	28,004	158,255	153,792
Retirement Expense	20,112	4,178	4,989	29,279	34,907
Payroll Taxes	69,333	23,438	15,470	108,241	104,566
Travel Expense	11,821	1,164	1,211	14,196	13,696
Telephone	10,426	2,326	2,058	14,810	12,626
Supplies	85,058	6,370	2,541	93,969	113,749
Postage and Shipping	913	1,059	2,218	4,190	5,156
Printing	1,761	1,057	4,329	7,147	2,678
Dues and Subscriptions	2,354	2,264	2,292	6,910	4,664
Occupancy	143,241	15,754	26,755	185,750	183,144
Insurance	26,771	6,308	6,583	39,662	36,570
Marketing and Recruitment	1,150	---	---	1,150	13,068
Equipment Maintenance and Rental	2,999	1,594	908	5,501	5,320
Information Technology	29,741	2,142	17,454	49,337	37,817
Depreciation	3,434	82	565	4,081	4,182
Professional Fees	20,063	81,151	168	101,382	49,197
Conferences, Meetings and Staff Development	9,400	7,871	116	17,387	12,463
Volunteer Events and Cultivation	150	---	---	150	208
Program Activities	123,079	467	49	123,595	157,238
Unrelated Business Income (Refund) Tax	---	50	---	50	(6,797)
Bad Debt Expense	---	10,788	---	10,788	---
Interest Expense	---	166	---	166	755
Bank Fees	---	1,742	24	1,766	3,828
Subtotal Expenses	<u>\$ 1,632,068</u>	<u>\$ 429,185</u>	<u>\$ 339,823</u>	<u>\$ 2,401,076</u>	<u>\$ 2,356,150</u>
Special Event Expenses					
Facility Costs	\$ ---	\$ ---	\$ 73,883	\$ 73,883	\$ 43,569
Prizes and Awards	---	---	21,753	21,753	22,896
Equipment Rental and Maintenance	---	---	10,412	10,412	7,978
Professional Fees	---	---	3,450	3,450	5,113
Supplies	---	---	52,681	52,681	49,426
Postage and Printing	---	---	5,136	5,136	4,137
Travel	---	---	4,092	4,092	4,267
Subtotal Special Event Expenses	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 171,407</u>	<u>\$ 171,407</u>	<u>\$ 137,386</u>
Unallocated Payments to National Organization				<u>\$ 22,588</u>	<u>\$ 22,903</u>
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,632,068</u></u>	<u><u>\$ 429,185</u></u>	<u><u>\$ 511,230</u></u>	<u><u>\$ 2,595,071</u></u>	<u><u>\$ 2,516,439</u></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, 2023**  
**(With Summarized Totals for the Year Ended June 30, 2022)**

	<u>2023</u>	<u>2022</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 964,064	\$ 622,996
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation	4,081	4,182
(Gain) Loss on Investments	(11,041)	21,707
Forgiveness of the Paycheck Protection Program Loan and Interest	---	(247,510)
(Increase) Decrease in Grants Receivable	77,930	(61,424)
(Increase) Decrease in Pledges Receivable	139,779	9,523
(Increase) Decrease in Accrued Interest	(25,257)	---
(Increase) Decrease in Prepaid Expenses and Supplies on Hand	9,182	7,683
(Increase) Decrease in Activity Passes on Hand	---	57,000
Increase (Decrease) in Accounts Payable	(16,005)	14,566
Increase (Decrease) in Accrued Payroll Liabilities	(12,540)	2,809
Increase (Decrease) in Refundable Advances	(5,429)	9,073
Increase (Decrease) in Accrued Interest on the Paycheck Protection Loan	---	755
Net Cash Provided by Operating Activities	<u>\$ 1,124,764</u>	<u>\$ 441,360</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of Certificates of Deposit	\$ (1,500,000)	\$ ---
Purchases of Investments - Endowment Fund	<u>(100,000)</u>	<u>---</u>
Net Cash Used by Investing Activities	<u>\$ (1,600,000)</u>	<u>\$ ---</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on the Paycheck Protection Program Loan	\$ ---	\$ (30,951)
Net Cash Used by Financing Activities	<u>\$ ---</u>	<u>\$ (30,951)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	\$ (475,236)	\$ 410,409
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>2,979,131</u>	<u>2,568,722</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,503,895</u>	<u>\$ 2,979,131</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 166	\$ 755

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, 2023**

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**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 230 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.

**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. Cash and equivalents includes \$1,000,000 of 3-month certificates of deposit as of June 30, 2023.

**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.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE A - Summary of Significant Accounting Policies (continued)**

**Leases**

The Organization recognizes operating and finance leases in accordance with the *FASB Accounting Standards Codification (ASC) 842*. A lease exists when an organization has the right to control the use of property, plant or equipment over a lease term. The lessee classifies a lease as either a finance or operating lease. The accounting of a finance lease is similar to when an asset is purchased. An operating lease is when the right-of-use of an asset exists over the lease-term, but the lease doesn't meet the definition of a finance lease. The Organization has elected to establish a threshold to exclude lease assets and obligations that are immaterial to the financial statements. The Organization recognizes individual lease assets and liabilities when they are greater than \$5,000. However, if the combined lease assets or liabilities for individually insignificant leases are greater than \$10,000, the Organization recognizes the lease assets and obligations. The Organization has elected not to apply the recognition requirements in ASC 842 to short-term leases (those with a term of 12 or less months) and no expected purchase at the end of the term. The Organization has elected to use the risk-free borrowing rate on leases for office space.

**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, 2023**

**NOTE A - Summary of Significant Accounting Policies (continued)**

**Contributions and Grant Revenue (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.

**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, 2023, were \$1,150.

**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.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE B - Accounting Standard Changes and Future Accounting Pronouncement**

**Accounting Standard Changes**

*Accounting Standards Update 2020-08, Codification Improvements to Subtopic 310-20, Receivables – Nonrefundable Fees and Other Costs.* This update clarifies that an entity should reevaluate whether a callable debt security is within the scope of paragraph 310-20-32-33 for each reporting period. This amendment impacts the effective yield of an existing individual callable debt security. Amendments in this update are applied on a prospective basis as of the beginning of the period of adoption for existing or newly purchased callable debt securities. The implementation of this standard has not materially affected the financial statements of the Organization.

*Accounting Standards Update 2020-07, Not-for-Profit entities (Topic 958), Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update requires contributed nonfinancial assets to be reported as a separate line in the statement of activities. A financial statement note is 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 in this update are applied on a retrospective basis. The implementation of this standard has not materially affected the financial statements of the Organization.

*Accounting Standards Update 2016-02, Leases (Topic 842), which supersedes existing guidance in Topic 840, Leases.* The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors-Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-to-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the leasing standards effective July 1, 2022, using the modified retrospective approach with July 1, 2022, as the initial date of application. Using this method, a cumulative-effect adjustment to net assets is recognized in the period of adoption. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. The adoption had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases. The accounting for finance leases remained substantially unchanged.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE B - Accounting Standard Changes and Future Accounting Pronouncement (continued)**

**Future Accounting Pronouncement**

*Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326)* will be effective for fiscal years beginning after December 15, 2022. 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 generally accepted accounting principles 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 - Change in Accounting Principles**

The adoption of Topic 842 had a material impact on the Organization's statement of financial position but did not have a material impact on the statement of activities. The most significant impact was the recognition of right-of-use operating lease assets of \$359,190 and operating lease liabilities of \$359,190. Adoption of the new standard had no material impact to the Organization's change in net assets and had no material impact on cash flows.

The following details the statement of financial position line items effected as of July 1, 2022:

	As Reported <u>Under 840</u>	As Reported <u>Under 842</u>	Effect of <u>Change</u>
<u>Assets</u>			
Right-of-Use Asset - Operating Lease	\$ ---	\$359,190	\$359,190
<u>Liabilities</u>			
Lease Liability - Operating Lease	\$ ---	\$359,190	\$359,190

**NOTE D - Comparative Financial Information and Reclassifications**

The financial information shown for 2022 in the accompanying financial statements is included to provide a basis for comparison with 2023. 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, 2022, from which the summarized information was derived.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2023**

**NOTE E - Liquidity**

Financial assets are those items expected to be readily convertible to cash within one year from 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 become 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, as well as a credit card with a \$20,000 limit.

The Organization has liquid financial assets available as of June 30, 2023 as follows:

<u>Source</u>	<u>Amount</u>
Cash and Cash Equivalents	\$2,503,895
Certificates of Deposit	1,500,000
Grants Receivable	142,758
Current Pledges Receivable	144,753
Accrued Interest	25,257
Less: Purpose Restricted Liquid Assets	(340,389)
Less: Board Designated for Endowment Fund at the Greater Milwaukee Foundation	(354,947)
Less: Refundable Advances	<u>(22,317)</u>
Total Assets Available For Use	<u>\$3,599,010</u>

**NOTE F - 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, 2023, the Organization's uninsured cash balances totaled \$3,738,129.

**NOTE G - Grants Receivable**

Grants receivable consist of the following as of June 30, 2023:

<u>Source</u>	<u>Amount</u>
Community Advocates, Inc.	\$ 21,664
Waukesha and Milwaukee County Community Development Block Grant	20,585
Big Brothers Big Sisters of America BIG Futures	71,000
Mentoring Opportunities for Youth	<u>29,509</u>
Total	<u>\$142,758</u>



**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE H - 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, 2023</u>	<u>Amount</u>
Gross Pledges Receivable	\$152,253
Less: Allowance for Doubtful Accounts	<u>(5,000)</u>
Net Pledges Receivable	<u>\$147,253</u>

Pledges are expected to be collected in the following years:

<u>Year Ended</u>	<u>Amount</u>
June 30, 2024	\$149,753
June 30, 2025	<u>2,500</u>
Gross Pledges Receivable	<u>\$152,253</u>

**NOTE I - 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 current spending rate is 4.75% of fund market value averaged over the preceding five years. 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 AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
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**NOTE I - Endowment Fund - Greater Milwaukee Foundation (continued)**

**Assets of the Fund (continued)**

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.

Endowment net asset composition as of June 30, 2023, consists of the following:

	<u>Board Designated</u>	<u>Endowment Total</u>
Greater Milwaukee Foundation	<u>\$354,460</u>	<u>\$354,460</u>

**NOTE J - 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, 2023.

<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	<u>\$354,460</u>	\$ ---	\$ ---	<u>\$354,460</u>
Total	<u>\$354,460</u>	\$ ---	\$ ---	<u>\$354,460</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.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
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**NOTE J - Fair Value Measurements (continued)**

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, 2022	\$243,419	\$243,419
Contributions	100,000	100,000
Net Investment Return	<u>11,041</u>	<u>11,041</u>
Ending Balance, June 30, 2023	<u>\$354,460</u>	<u>\$354,460</u>

**NOTE K - 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 9.52% as of June 30, 2023, 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, 2023.

**NOTE L - Net Assets Released From Restrictions**

During the year ended June 30, 2023, net assets released from restrictions consist of the following:

<u>Source</u>	<u>Amount</u>
2023 Mentor 2.0	\$ 50,000
Gala	24,750
Golf	110,345
Individuals	24,500
Corporations	5,150
Derek Chappel Scholarship Fund	3,111
Estates	100,000
Foundations	<u>158,250</u>
Total	<u>\$476,106</u>

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.  
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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, 2023:

<u>Source</u>	<u>Amount</u>
<u>Time-Restricted</u>	
Individuals	\$27,370
Corporations	1,000
Foundations	<u>15,000</u>
Subtotal	<u>\$43,370</u>
<u>Time- and Purpose-Restricted</u>	
Mentor2.0	\$ 50,000
Derek Chappel Scholarship Fund	47,619
Deloitte Scholarships	20,000
Golf	171,000
Golf In-Kind Donations	4,254
Gala	8,400
Gala In-Kind Donations	675
Other Programs	<u>2,500</u>
Subtotal	<u>\$304,448</u>
Total	<u>\$347,818</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 \$709,407.

**NOTE N - Board Donations**

During the year ended June 30, 2023, board members and their affiliated companies and foundations donated \$926,403.

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

The Organization received donated use of facilities and goods and services which were used for match activities, special events, and operations. The use of facilities donated to the Organization includes office space used by the Organization for its program and administrative staff, the value is determined using the rent the Organization was not required to pay for the square foot pricing in the same office tower. Program tickets and supplies were donated to the Organization and are used by Big Brothers and Big Sisters and their mentees during match activities. The value is based on the ticket pricing available to the public. Advertising included a seven-episode media campaign that was provided for promotion of the Organization's programs and was valued at the price of that media when sold to the general public. Bowling, gala, and golf supplies donated to the Organization are valued at the price of similar items sold in the marketplace and used to carry out the special events.

Only donated services requiring specialized skills are included in financial statements per generally accepted accounting principles. Therefore, 69,294 hours of mentoring services, valued at \$31.80 per hour by the Independent Sector, are not included in the financial statements with a value of \$2,203,549. 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 83% program expenses and 17% supporting expenses.

Donated goods and services consist of the following for the year ended June 30, 2023:

<u>Included in the Financial Statements</u>	<u>Amount</u>
Use of Facilities	\$ 51,716
Program Tickets and Supplies	58,145
Advertising	<u>65,450</u>
Total Program Activities	\$175,311
Bowling for Kids' Sake Supplies	4,726
Gala Supplies	12,350
Golf Supplies	<u>6,988</u>
Total Recognized Goods and Services	<u>\$199,375</u>
<u>Not Included in the Financial Statements</u>	<u>Amount</u>
Hourly Value	\$ 31.80
Program Mentoring Hours	<u>69,294</u>
Total Unrecognized Services	<u>\$2,203,549</u>

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
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**NOTE P - Conditional Contributions and Grants**

Conditional grants are those grants committed by a funder, but that include a specific condition that must be met in order for the Organization to be entitled to the grant revenue. Conditional grants are not recorded in revenue until the condition of the grant is met. Amounts advanced are included in refundable advances.

The Organization's government funding includes specific use stipulations that 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.

<u>Source</u>	<u>Available Through</u>	<u>Amount</u>
Big Brothers Big Sisters of America		
Mentoring Opportunities for Youth	January 31, 2024	\$ 71,911
BIG Futures	July 31, 2023	5,916
Community Advocates	December 31, 2023	65,008
City of Milwaukee - CDBG	December 31, 2023	<u>16,169</u>
Total Conditional Grants		<u>\$159,004</u>

In addition, The Organization has submitted a claim of \$108,063 to the IRS for the employee retention credit. The IRS must process and approve the employee retention credit as a condition to receiving the funds.

**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. The amount of revenue recognized by the Organization in exchange for food and entertainment provided was \$225,240 during the year ended June 30, 2023. There were no assets related to the exchange portion of special events as of June 30, 2022 or June 30, 2023. The Organization has received registration fees and sponsorships for future events. The exchange portion received for future events is included in refundable advances of \$22,317 and \$27,746 as of June 30, 2023 and 2022, respectively. The exchange portion will be recognized at the time future events are held.

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
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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, 2023, was \$29,279.

**NOTE S - Leasing Activities**

**Operating Leases**

The Organization leases office space in a building located at 788 North Jefferson Street Milwaukee, Wisconsin. The original term of the lease extends from June 2020 through May 2025. In-kind use of facilities are excluded from the amounts below.

**Lease Term and Discount Rate**

The weighted average discount rate for operating leases is: 0.31 %  
The weighted average remaining lease term in years for operating leases is: 1.9 years

**Lease Cost and Cash Flow Information**

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended June 30, 2023:

	<u>Amount</u>
Operating Lease Costs:	
Occupancy	\$120,824

The following summarizes cash flow information related to leases for the year ended June 30, 2023:

	<u>Amount</u>
Operating Cash Flows from Operating Leases	\$120,824

**Maturities of Leases**

The maturities of lease liabilities as of June 30, 2023, were as follows:

<u>Year Ending June 30:</u>	<u>Operating</u>
2024	\$123,845
2025	<u>116,121</u>
Total Lease Payments	\$239,966
Less: Present Value Discount	<u>(690)</u>
Present value of lease liabilities	<u>\$239,276</u>

**BIG BROTHERS AND BIG SISTERS OF METROPOLITAN MILWAUKEE, INC.**  
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**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, 2023, 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.

**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, 2023, the date of the most recent statement of financial position, through February 23, 2024, the date the financial statements are available to be issued. It has been determined that there are no subsequent events that need to be disclosed.