

BIG BROTHERS BIG SISTERS OF  
THE TRIANGLE, INC.

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)

# **BATCHELOR, TILLERY & ROBERTS, LLP**

CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditors' Report**

The Board of Directors  
Big Brothers Big Sisters of the Triangle, Inc.:

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Triangle, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

### **Auditors' 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the 2019 financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Triangle, Inc. as of December 31, 2019, 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.

**Prior Period Financial Statements**

The financial statements of Big Brothers Big Sisters of the Triangle, Inc. as of and for the year ended December 31, 2018, were audited by other auditors whose report dated July 15, 2019 expressed an unmodified opinion on those statements.

*Batchelor, Tillyer & Roberts, LLP*

July 22, 2020

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Statements of Financial Position

December 31, 2019 and 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 526,709	304,415
Unconditional promises to give	307,943	293,838
Prepaid expenses and other assets	<u>2,850</u>	<u>5,035</u>
Total current assets	<u>837,502</u>	<u>603,288</u>
Property and equipment:		
Furniture and equipment	119,266	119,266
Website	<u>7,250</u>	<u>7,250</u>
	126,516	126,516
Less accumulated depreciation and amortization	<u>109,206</u>	<u>99,468</u>
Property and equipment, net	<u>17,310</u>	<u>27,048</u>
Other assets:		
Security deposits	7,810	8,310
Beneficial interest in Brenda Boyd Big Brothers Big Sisters Scholarship Fund held by Triangle Community Foundation	22,050	15,254
Beneficial interest in BBBST Endowment held by Triangle Community Foundation	202,049	171,526
Restricted receivables - BBBST Endowment	<u>35,000</u>	<u>40,000</u>
Total other assets	<u>266,909</u>	<u>235,090</u>
	<u>\$ 1,121,721</u>	<u>865,426</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	974	1,414
Deferred rent expense	8,138	24,742
Current maturities of long-term debt	-	7,162
Current maturities of capital lease obligation	<u>1,450</u>	<u>1,110</u>
Total current liabilities	10,562	34,428
Capital lease obligation, less current maturities	<u>3,049</u>	<u>4,499</u>
Total liabilities	<u>13,611</u>	<u>38,927</u>
Net assets:		
Without donor restrictions	775,801	542,546
With donor restrictions	<u>332,309</u>	<u>283,953</u>
Total net assets	<u>1,108,110</u>	<u>826,499</u>
	<u>\$ 1,121,721</u>	<u>865,426</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Statements of Activities

Year ended December 31, 2019, with comparative totals for 2018

	2019			
	Without donor restrictions	With donor restrictions	Total	2018
Public support and revenue:				
Contributions	\$ 207,020	-	207,020	190,279
Grants	550,843	94,000	644,843	479,560
Special events:				
Special event revenue	233,232	-	233,232	213,737
Less direct expenses	(53,069)	-	(53,069)	(49,408)
In-kind contributions	24,670	-	24,670	27,306
Change in fair value of beneficial interest assets	7,382	25,523	32,905	(12,622)
Miscellaneous	2,942	-	2,942	4,167
Total public support and revenue	973,020	119,523	1,092,543	853,019
Net assets released from restrictions	71,167	(71,167)	-	-
Total public support and revenue	1,044,187	48,356	1,092,543	853,019
Expenses:				
Program services	656,910	-	656,910	666,480
Management and general	66,603	-	66,603	72,698
Fundraising	87,419	-	87,419	90,958
Total expenses	810,932	-	810,932	830,136
Change in net assets	233,255	48,356	281,611	22,883
Net assets, beginning of year	542,546	283,953	826,499	803,616
Net assets, end of year	\$ 775,801	332,309	1,108,110	826,499

(Continued)

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Statements of Activities, Continued

Year ended December 31, 2018

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$ 190,279	-	190,279
Grants	444,560	35,000	479,560
Special events:			
Special event revenue	213,737	-	213,737
Less direct expenses	(49,408)	-	(49,408)
In-kind contributions	27,306	-	27,306
Change in fair value of beneficial interest assets	852	(13,474)	(12,622)
Miscellaneous	<u>4,167</u>	<u>-</u>	<u>4,167</u>
Total public support and revenue	831,493	21,526	853,019
Net assets released from restrictions	<u>217,833</u>	<u>(217,833)</u>	<u>-</u>
Total public support and revenue	<u>1,049,326</u>	<u>(196,307)</u>	<u>853,019</u>
Expenses:			
Program services	666,480	-	666,480
Management and general	72,698	-	72,698
Fundraising	<u>90,958</u>	<u>-</u>	<u>90,958</u>
Total expenses	<u>830,136</u>	<u>-</u>	<u>830,136</u>
Change in net assets	219,190	(196,307)	22,883
Net assets, beginning of year	<u>323,356</u>	<u>480,260</u>	<u>803,616</u>
Net assets, end of year	\$ <u>542,546</u>	<u>283,953</u>	<u>826,499</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Statements of Functional Expenses

Years ended December 31, 2019 and 2018

	2019				2018			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 472,301	30,626	76,237	579,164	475,408	31,334	79,320	586,062
Rent	66,245	4,730	4,730	75,705	58,199	4,737	4,737	67,673
Special events	-	-	53,069	53,069	-	-	49,408	49,408
Professional fees	12,534	24,242	-	36,776	20,510	25,854	-	46,364
In-kind donations	21,840	1,415	1,415	24,670	24,476	1,415	1,415	27,306
Dues and subscriptions	16,128	-	439	16,567	11,697	177	1,214	13,088
Telephone	11,576	942	942	13,460	12,102	672	672	13,446
Depreciation and amortization	8,959	339	440	9,738	9,729	317	529	10,575
Insurance	8,020	687	687	9,394	7,894	643	643	9,180
Conferences	8,849	-	340	9,189	9,347	1,429	-	10,776
Activities expense	9,046	-	-	9,046	10,963	-	-	10,963
Technology	6,920	563	563	8,046	7,269	592	592	8,453
Bank service charges	3,919	571	571	5,061	5,247	427	427	6,101
Equipment expense	3,428	279	279	3,986	4,510	367	367	5,244
Printing and reproduction	2,475	59	34	2,568	2,604	-	241	2,845
Travel and entertainment	1,429	-	216	1,645	2,676	-	193	2,869
Bad debt expense	-	1,614	-	1,614	-	935	-	935
Gifts and awards	1,120	-	-	1,120	801	-	-	801
Meetings	373	373	373	1,119	422	3,380	408	4,210
Postage and delivery	894	73	73	1,040	553	44	31	628
Office supplies	739	60	60	859	1,531	125	125	1,781
Interest expense	115	30	20	165	542	250	44	836
	<u>656,910</u>	<u>66,603</u>	<u>140,488</u>	<u>864,001</u>	<u>666,480</u>	<u>72,698</u>	<u>140,366</u>	<u>879,544</u>
Less expenses included with revenues on the statement of activities - special events	<u>-</u>	<u>-</u>	<u>(53,069)</u>	<u>(53,069)</u>	<u>-</u>	<u>-</u>	<u>(49,408)</u>	<u>(49,408)</u>
	<u>\$ 656,910</u>	<u>66,603</u>	<u>87,419</u>	<u>810,932</u>	<u>666,480</u>	<u>72,698</u>	<u>90,958</u>	<u>830,136</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Statements of Cash Flows

Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flow from operating activities:		
Cash received from contributors, grantors and service recipients	\$ 1,105,531	1,100,141
Cash paid to suppliers and employees	(872,021)	(859,584)
Interest received	2,221	1,582
Interest paid	<u>(165)</u>	<u>(837)</u>
Net cash provided by operating activities	<u>235,566</u>	<u>241,302</u>
Cash flows from investing activities -		
Transfer to Triangle Community Foundation	<u>(5,000)</u>	<u>(180,000)</u>
Cash flows from financing activities:		
Long-term contributions restricted for endowment	-	175,000
Payments on notes payable	(7,162)	(11,797)
Payments on capital lease	<u>(1,110)</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(8,272)</u>	<u>163,203</u>
Net increase in cash and cash equivalents	222,294	224,505
Cash and cash equivalents, beginning of year	<u>304,415</u>	<u>79,910</u>
Cash and cash equivalents, end of year	\$ <u>526,709</u>	<u>304,415</u>
Supplemental disclosure of noncash investing and financing activities:		
Acquisition of equipment under capital lease	\$ <u>-</u>	<u>6,199</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements

December 31, 2019 and 2018

(1) Operations and Summary of Significant Accounting Policies

(a) Organization

Big Brothers Big Sisters of the Triangle, Inc. (the “Organization”) is a nonprofit corporation organized under the laws of the state of North Carolina. The Organization’s purpose is to provide wholesome relationships for children primarily of single parent homes in need of a secondary, adult role model. Under the direction of the Organization, the volunteers will help provide companionship and guidance; moral, psychological, and intellectual support; and general recreational activity. The Organization is supported primarily through donor contributions, grants, and fundraising. The Organization operates out of one location in Morrisville, North Carolina.

(b) Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity date of three months or less to be cash equivalents. The Organization may occasionally maintain deposits in excess of federally insured limits. Uninsured amounts totaled \$252,562 as of December 31, 2019. The Organization has not experienced any losses in such accounts.

(c) Property and Equipment

Property and equipment are recorded at cost if purchased or at estimated fair value at the date of the gift, if donated, less accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred. Gains or losses on dispositions are included in the statement of activities. Purchases of \$500 or more are capitalized and depreciated using the straight-line method over the estimated useful lives, which range from 5 – 7 years.

(d) Beneficial Interest in Assets Held by Others

The Organization’s beneficial interest in assets held by others is valued at fair value, as provided by the other party and determined using the fair value of the underlying assets at the valuation date. Changes in the fair value of the beneficial interest are recognized in the statements of activities.

Due to the level of risk associated with certain underlying fund assets, it is reasonably possible that changes in the values of investment securities held by the funds will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and activities.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2019 and 2018

(1) Operations and Summary of Significant Accounting Policies, Continued

(e) Contributions and Grants

Contributions and grants received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value using a risk adjusted discount rate. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, 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. The Organization reports contributions with donor-imposed restrictions that are met in the same accounting period as net assets without donor restriction support.

A portion of the Organization's revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

The Organization performs an evaluation of the collectability of unconditional promises to give and records an allowance for doubtful accounts. Unconditional promises to give are written off after collection efforts have been pursued in accordance with the Organization's policies and procedures. Included in unconditional promises to give on the statement of financial position as of December 31, 2019 and 2018 is \$180,221 and \$155,341 of grants receivable, respectively. Additionally, 26% and 28% of unconditional promises to give is due from one donor as of December 31, 2019 and 2018, respectively.

(f) Donated Assets and Services

In-kind contributions of services, materials, or facilities that meet the recording criteria as defined by accounting guidance are recorded at their estimated fair market value on the date of the donation. Such contributions are recorded as in-kind contributions and a corresponding expense on the statement of activities. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. Volunteers and members of the community perform various services for the Organization, and these services are significant and form an integral part of the efforts of the Organization. The Organization does not control the activities of the volunteers as it would paid employees, and there is not a clear measurable basis for an amount of contributed services rendered as a contribution and a corresponding amount as an expense. During 2019 and 2018, the Organization received approximately 84,500 and 87,400 volunteer hours, respectively (unaudited).

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2019 and 2018

(1) Operations and Summary of Significant Accounting Policies, Continued

(g) Net Assets

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

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions. As discussed in note 9, the Board of Directors has designated, from net assets without donor restrictions, net assets for beneficial interest in the Brenda Boyd Big Brothers Big Sisters Scholarship Fund.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(h) Functional Classification of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expense by function. The financial statements report certain categories of expense that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

All expenses except for activities expense and bad debt expense are allocated on the basis of estimates of time and effort.

(i) Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as a publicly supported organization. During 2019 and 2018, the Organization did not have income subject to taxation as unrelated business income.

The Organization evaluates any uncertain tax positions. Accordingly, the Organization's policy is to record a liability for any tax position taken that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position of management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management does not believe any significant income tax uncertainties exist as of December 31, 2019 or 2018.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2019 and 2018

(1) Operations and Summary of Significant Accounting Policies, Continued

(j) Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 estimates.

(k) Adoption of New Accounting Pronouncements

The FASB has issued Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 was adopted by the Organization beginning January 1, 2019. The changes required by the update are required to be applied retrospectively to all periods presented. There were no changes to net assets or the change in net assets as previously reported as a result of the adoption of this accounting standard update.

The Organization has adopted ASU No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* beginning January 1, 2019. This update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of *Topic 958, Not-For-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. There were no changes to net assets or the change in net assets as previously reported as a result of the adoption of this accounting standard update.

(l) Selected Recent Accounting Pronouncement

The FASB has issued ASU 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases classified as operating leases under previous GAAP, along with the disclosure of key information about leasing arrangements. ASU 2016-02 is effective for the Organization for 2022.

Management is in the process of assessing the impact of this new accounting standard.

(m) Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 presentation. These reclassifications had no impact on net assets or the change in net assets as previously reported.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2019 and 2018

(2) Liquidity and Availability of Resources

The Organization is partially supported by restricted contributions and grants. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. The Organization considers all expenditures related to its ongoing activities to support the mission to be general expenditures. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 526,709	304,415
Unconditional promises to give	307,943	293,838
Other receivables	<u>850</u>	<u>2,680</u>
	835,502	600,933
Less amounts not available to be used within one year, due to donor restricted for purpose or time	<u>1,260</u>	<u>72,427</u>
Financial assets available to meet general expenditures within one year	\$ <u>834,242</u>	<u>528,506</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue, primarily through contributions and fundraising events, to cover general expenses. In addition, the Organization can utilize a line of credit with borrowings up to \$50,000 (see note 3).

(3) Line of Credit

The Organization has a \$50,000 line of credit with a local bank which is collateralized by all accounts, including receivables and equipment, and all proceeds and products of the foregoing and expires on September 10, 2021. Interest is due monthly at the bank's prime rate (4.75% and 5.50% as of December 31, 2019 and 2018, respectively) with a minimum of 4.25%. Principal and remaining interest are due at maturity. There was no outstanding balance as of December 31, 2019 and 2018.

BIG BROTHERS BIG SISTERS  
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2019 and 2018

(4) Long-Term Debt

Long-term debt as of December 31, 2018 consisted of \$7,162 outstanding under a note payable due in monthly installments of \$928 including interest at a variable rate of prime with a minimum rate of 4.25%, collateralized by all accounts, including receivables, equipment, and all related proceeds and products of the foregoing. The remaining balance was paid in full in September 2019.

(5) Leases

The Organization leases a copier under a capital lease agreement expiring in 2022. The asset is recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over the lesser of its related lease term or its estimated productive life. Amortization of the asset under the capital lease was \$1,240 and \$620 during 2019 and 2018, respectively.

Equipment held under capital lease and the related accumulated amortization is as follows:

	<u>2019</u>	<u>2018</u>
Equipment	\$ 6,199	6,199
Less accumulated amortization	<u>(1,860)</u>	<u>(620)</u>
	<u>\$ 4,339</u>	<u>5,579</u>

Future minimum lease payments under the capital lease are as follows:

<u>Year ending December 31,</u>		
2020	\$	2,495
2021		2,495
2022		<u>1,247</u>
Total minimum lease payments		6,237
Less amount representing interest (8.9%)		<u>(1,738)</u>
Present value of net minimum capital lease payments		4,499
Less current maturities		<u>(1,450)</u>
Obligation under capital lease less current maturities	\$	<u>3,049</u>

The Organization also leases office space under a non-cancellable operating lease agreement, which was extended in January 2020 and now expires on August 31, 2025. The Organization records rent expense for this lease, which has escalating rent payments over the term of the lease, on a straight-line basis over the effective lease term. For tenant lease incentives, the Organization records a deferred rent liability at the inception of the lease term and accretes the deferred rent over the term of the lease as a reduction to rent.

Rent expense during 2019 and 2018 was \$68,523 and \$67,673, respectively.

BIG BROTHERS BIG SISTERS  
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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(5) Leases, Continued

Future minimum lease payments under the non-cancellable operating are as follows:

<u>Year ending December 31,</u>	
2020	\$ 91,305
2021	97,880
2022	100,816
2023	103,840
2024	106,956
Thereafter	<u>72,900</u>
	<u>\$ 573,697</u>

(6) Fair Value Measurements

Fair values for assets measured on a recurring basis are as follows:

	<u>Fair value</u>	<u>Significant other observable inputs (Level 2)</u>
<u>December 31, 2019</u>		
Beneficial interest held at Triangle Community Foundation	\$ <u>224,099</u>	<u>224,099</u>
<u>December 31, 2018</u>		
Beneficial interest held at Triangle Community Foundation	\$ <u>186,780</u>	<u>186,780</u>

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Level 2 inputs are those inputs that are observable, either directly or indirectly, for the assets or liability other than quoted prices included in level 1. The Organization considers its investments held at Triangle Community Foundation to be level 2 because they are invested in various portfolios managed by the Foundation and not individually held by the Organization. Level 3 inputs are unobservable and apply only when there is little or no market activity for the asset or liability. There were no changes in the valuation techniques during the current year.

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no significant transfers between levels during 2019 and 2018.

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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(7) Beneficial Interest in Assets Held by Triangle Community Foundation

**Brenda Boyd Big Brothers Big Sisters Scholarship Fund**

During 2014, the Organization established a non-endowed agency fund at Triangle Community Foundation known as the Brenda Boyd Big Brothers Big Sisters Scholarship Fund. The fund is held and invested by the Foundation for the benefit of the Organization and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

**BBBST Endowment**

During 2018, the Organization established an agency endowment fund that is perpetual in nature at Triangle Community Foundation. The Organization granted variance power to Triangle Community Foundation, which allows it to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of the Triangle Community Foundation's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. A change in circumstances such as dissolution of the Organization or revocation of its tax-exempt status are examples of events that can prompt the exercise of this variance power. The endowment was established for the support of the mission of the Organization, and includes one donor-restricted endowment fund, the BBBST Endowment Fund (the "Fund"). The Fund is held and invested by Triangle Community Foundation for the benefit of the Organization and is reported at fair value in the statement of financial position, with distributions and changes in fair value recognized in the statement of activities.

*Interpretation of Relevant Law*

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of gifts donated to the endowment, and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

BIG BROTHERS BIG SISTERS  
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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(7) Beneficial Interest in Assets Held by Triangle Community Foundation, Continued

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

*Return Objectives and Risk Parameters*

Triangle Community Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

*Spending Policy*

Under Triangle Community Foundation's spending policy, a percentage of the Fund, currently 5% annually, is available for distribution in accordance to the Organization's purposes. The spending allocation is calculated on the average balance of the Fund over 13 trailing quarters or such shorter period of time as the Fund has been in existence. The Triangle Community Foundation's Board of Directors exercise final approval of distributions from the Fund by vote at its quarterly board meetings.

*Strategies Employed for Achieving Objectives*

While the investment of Organization funds may vary according to their purpose and restrictions, certain general principles shall govern the investment of all Organization funds, as follows: only those costs that are appropriate and reasonable under the circumstances shall be incurred in the management of Organization funds; reasonable effort shall be made to verify the facts relevant to all investments; and one or more funds of the Organization may be pooled for investment purposes.

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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(7) Beneficial Interest in Assets Held by Triangle Community Foundation, Continued

Endowment net asset composition as of December 31, 2019 is as follows:

<u>BBBST Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net endowment assets</u>
Original donor-restricted gifts in perpetuity	\$ -	225,000	225,000
Accumulated investment gains	-	12,049	12,049
	<u>\$ -</u>	<u>237,049</u>	<u>237,049</u>

Endowment net asset composition as of December 31, 2018 is as follows:

<u>BBBST Endowment Fund</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total net endowment assets</u>
Original donor-restricted gifts in perpetuity	\$ -	225,000	225,000
Accumulated investment losses	-	(13,474)	(13,474)
	<u>\$ -</u>	<u>211,526</u>	<u>211,526</u>

*Funds with Deficiencies*

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that UPMIFA requires to retain as a fund of perpetual duration. As of December 31, 2018, funds with original gift values of \$185,000, fair values of \$171,526, and deficiencies of \$13,474 were reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2019.

The changes in endowment net assets for 2019 and 2018 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	\$ -	225,000	225,000
Change in fair value of beneficial interest assets	-	(13,474)	(13,474)
Endowment net assets, December 31, 2018	-	211,526	211,526
Change in fair value of beneficial interest assets	-	25,523	25,523
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>237,049</u>	<u>237,049</u>

BIG BROTHERS BIG SISTERS  
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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(8) Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods of time:

	<u>2019</u>	<u>2018</u>
Donor restricted net assets, purpose or time restriction:		
Program services in subsequent years	\$ 84,000	42,000
National Conference attendance	10,000	10,000
Scholarships	1,260	1,260
SMART Saturday Academy	-	19,167
Accumulated gains (losses) on endowment	<u>12,049</u>	<u>(13,474)</u>
	107,309	58,953
Donor restricted net assets, perpetual -		
Endowment	<u>225,000</u>	<u>225,000</u>
Donor restricted net assets	<u>\$ 332,309</u>	<u>283,953</u>

Net assets were released from donor restriction by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specific by the donors as follows:

	<u>2019</u>	<u>2018</u>
Program services in subsequent years	\$ 42,000	84,000
SMART Saturday Academy	19,167	5,833
National Conference attendance	10,000	10,000
Mentoring children of prisoners	<u>-</u>	<u>118,000</u>
	<u>\$ 71,167</u>	<u>217,833</u>

(9) Board Designation

The Organization's Board of Directors has designated, from net assets without donor restrictions, \$22,050 and \$13,994 as of December 31, 2019 and 2018, respectively, for the Brenda Boyd Big Brothers Big Sisters Scholarship Fund.

(10) Subsequent Events

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. The extent of COVID-19's effect on the Organization's operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult to predict considering the rapidly evolving landscape. As a result, it is not currently possible to ascertain the overall impact of COVID-19 on the Organization's operations. However, the pandemic could have a material adverse effect on the Organization's results of operations, financial condition and cash flows.

BIG BROTHERS BIG SISTERS  
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Notes to Financial Statements, Continued

December 31, 2019 and 2018

(10) Subsequent Events, Continued

In May 2020, the Organization received approval for a loan from the Small Business Administration under the Paycheck Protection Program, which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis. This loan, in the amount of \$107,000, will be forgiven as long as the loan proceeds are used to cover payroll and certain other allowed costs over the 24-week period after the loan is made and certain other conditions are met.

The date to which events occurring after December 31, 2019, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is July 22, 2020, the date the financial statements were available to be issued.