

BIG BROTHERS BIG SISTERS OF
THE TRIANGLE, INC.

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

BATCHELOR, TILLERY & ROBERTS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
POST OFFICE BOX 18068
RALEIGH, NORTH CAROLINA 27619

RONALD A. BATCHELOR
WM. JAMES BLACK, JR.
SCOTT E. CABANISS
MICHELLE W. LEMANSKI
JARED L. PILAND
DAVID C. CORN, JR.

3605 GLENWOOD AVENUE, SUITE 350
RALEIGH, NORTH CAROLINA 27612
TELEPHONE (919) 787-8212
FACSIMILE (919) 783-6724

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Triangle, Inc. (the "Organization") (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Change in Accounting Principle

As discussed in note 1(d) to the financial statements, as of January 1, 2022, the Organization changed its method of accounting for leases as required by the provisions the Financial Accounting Standards Board's Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

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 the Organizations's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 standards, 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 the Organization'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 the Organization'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.

Batchelor, Tillery & Roberts, LLP

May 17, 2023

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Statements of Financial Position

December 31, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 694,937	821,773
Unconditional promises to give	241,423	23,469
Prepaid expenses and other assets	16,155	18,994
Total current assets	952,515	864,236
Property and equipment:		
Furniture and equipment	127,352	125,136
Website	7,250	7,250
	134,602	132,386
Less accumulated depreciation and amortization	122,386	120,043
Property and equipment, net	12,216	12,343
Other assets:		
Unconditional promises to give, net, less current portion	67,295	-
Operating lease right-of-use asset	239,771	-
Security deposits	7,810	7,810
Beneficial interest in Brenda Boyd Big Brothers Big Sisters Scholarship Fund held by Triangle Community Foundation	72,987	26,283
Beneficial interest in BBBST Endowment held by Triangle Community Foundation	229,271	268,911
Restricted cash - BBBST Endowment	-	5,000
Restricted receivables - BBBST Endowment	25,000	25,000
Total other assets	642,134	333,004
	\$ 1,606,865	1,209,583
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable and accrued expenses	7,567	1,390
Deferred rent expense	-	26,099
Operating lease liability	91,493	-
Total current liabilities	99,060	27,489
Operating lease liability, less current portion	171,310	-
Total liabilities	270,370	27,489
Net assets:		
Without donor restrictions	846,669	872,423
With donor restrictions	489,826	309,671
Total net assets	1,336,495	1,182,094
	\$ 1,606,865	1,209,583

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Statements of Activities

Year ended December 31, 2022, with comparative totals for 2021

	2022			
	Without donor restrictions	With donor restrictions	Total	2021
Public support and revenue:				
Contributions	\$ 205,649	-	205,649	272,752
Grants	165,011	485,295	650,306	267,684
Special events:				
Special event revenue	220,503	-	220,503	146,965
Less direct expenses	<u>(58,355)</u>	<u>-</u>	<u>(58,355)</u>	<u>(18,930)</u>
	162,148	-	162,148	128,035
In-kind contributions	25,717	-	25,717	25,921
Change in fair value of beneficial interest assets	(985)	(44,640)	(45,625)	36,088
Paycheck Protection Program funding	-	-	-	101,383
Miscellaneous	<u>719</u>	<u>-</u>	<u>719</u>	<u>3,289</u>
Total public support and revenue	558,259	440,655	998,914	835,152
Net assets released from restrictions	<u>260,500</u>	<u>(260,500)</u>	<u>-</u>	<u>-</u>
Total public support and revenue	<u>818,759</u>	<u>180,155</u>	<u>998,914</u>	<u>835,152</u>
Expenses:				
Program services	693,418	-	693,418	640,192
Management and general	62,635	-	62,635	63,105
Fundraising	<u>88,460</u>	<u>-</u>	<u>88,460</u>	<u>78,891</u>
Total expenses	<u>844,513</u>	<u>-</u>	<u>844,513</u>	<u>782,188</u>
Change in net assets	(25,754)	180,155	154,401	52,964
Net assets, beginning of year	<u>872,423</u>	<u>309,671</u>	<u>1,182,094</u>	<u>1,129,130</u>
Net assets, end of year	\$ <u>846,669</u>	<u>489,826</u>	<u>1,336,495</u>	<u>1,182,094</u>

(Continued)

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Statements of Activities, Continued

Year ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Public support and revenue:			
Contributions	\$ 272,752	-	272,752
Grants	247,684	20,000	267,684
Special events:			
Special event revenue	146,965	-	146,965
Less direct expenses	<u>(18,930)</u>	<u>-</u>	<u>(18,930)</u>
	128,035	-	128,035
In-kind contributions	25,921	-	25,921
Change in fair value of beneficial interest assets	2,407	33,681	36,088
Paycheck Protection Program funding	101,383	-	101,383
Miscellaneous	<u>3,289</u>	<u>-</u>	<u>3,289</u>
Total public support and revenue	781,471	53,681	835,152
Net assets released from restrictions	<u>52,500</u>	<u>(52,500)</u>	<u>-</u>
Total public support and revenue	<u>833,971</u>	<u>1,181</u>	<u>835,152</u>
Expenses:			
Program services	640,192	-	640,192
Management and general	63,105	-	63,105
Fundraising	<u>78,891</u>	<u>-</u>	<u>78,891</u>
Total expenses	<u>782,188</u>	<u>-</u>	<u>782,188</u>
Change in net assets	51,783	1,181	52,964
Net assets, beginning of year	<u>820,640</u>	<u>308,490</u>	<u>1,129,130</u>
Net assets, end of year	\$ <u>872,423</u>	<u>309,671</u>	<u>1,182,094</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Statements of Functional Expenses

Years ended December 31, 2022 and 2021

	2022				2021			
	Program services	Management and general	Fundraising	Total	Program services	Management and general	Fundraising	Total
Salaries, payroll taxes and benefits	\$ 432,745	23,422	67,265	523,432	441,873	23,441	65,911	531,225
Rent	92,230	7,507	7,507	107,244	83,667	6,809	6,809	97,285
Professional fees	63,651	24,862	8,397	96,910	9,675	27,568	-	37,243
Special events	-	-	58,355	58,355	-	-	18,930	18,930
Technology, in-kind	20,693	1,382	1,382	23,457	20,693	1,382	1,382	23,457
Dues and subscriptions	19,010	515	-	19,525	19,301	-	356	19,657
Insurance	11,321	922	922	13,165	14,113	1,149	1,149	16,411
Technology	9,304	757	757	10,818	9,507	773	773	11,053
Telephone	8,366	681	681	9,728	11,311	921	921	13,153
Activities expense	8,931	-	-	8,931	12,353	-	-	12,353
Conferences	8,583	-	-	8,583	-	-	-	-
Equipment expense	4,975	352	352	5,679	1,402	114	114	1,630
Bank service charges	3,577	291	291	4,159	3,026	246	246	3,518
Depreciation and amortization	3,454	222	200	3,876	7,173	418	251	7,842
Gifts and awards	3,694	-	-	3,694	3,701	-	-	3,701
Bad debt expense	-	1,423	-	1,423	-	-	-	-
Printing and reproduction	840	-	425	1,265	659	-	792	1,451
Office supplies	741	60	60	861	461	38	38	537
Meetings	220	221	221	662	50	147	50	247
Postage and delivery	542	-	-	542	640	51	51	742
Travel and entertainment	541	-	-	541	-	-	-	-
Interest and fees	-	18	-	18	587	48	48	683
	<u>693,418</u>	<u>62,635</u>	<u>146,815</u>	<u>902,868</u>	<u>640,192</u>	<u>63,105</u>	<u>97,821</u>	<u>801,118</u>
Less expenses included with revenues on the statements of activities - special events	<u>-</u>	<u>-</u>	<u>(58,355)</u>	<u>(58,355)</u>	<u>-</u>	<u>-</u>	<u>(18,930)</u>	<u>(18,930)</u>
	<u>\$ 693,418</u>	<u>62,635</u>	<u>88,460</u>	<u>844,513</u>	<u>640,192</u>	<u>63,105</u>	<u>78,891</u>	<u>782,188</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Statements of Cash Flows

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities:		
Cash received from contributors, grantors and service recipients	\$ 786,928	748,241
Cash paid to suppliers and employees	(868,181)	(785,677)
Interest received	<u>2,055</u>	<u>4,151</u>
Net cash used in operating activities	<u>(79,198)</u>	<u>(33,285)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(3,749)	(5,000)
Transfer to Triangle Community Foundation	<u>(48,889)</u>	<u>-</u>
Net cash used in investing activities	<u>(52,638)</u>	<u>(5,000)</u>
Cash flows from financing activities:		
Cash received from Paycheck Protection Program	-	100,700
Payments on and termination of capital lease	<u>-</u>	<u>(3,049)</u>
Net cash provided by financing activities	<u>-</u>	<u>97,651</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(131,836)	59,366
Cash, cash equivalents, and restricted cash, beginning of year	<u>826,773</u>	<u>767,407</u>
Cash, cash equivalents, and restricted cash, end of year	\$ <u>694,937</u>	<u>826,773</u>
Reconciliation of cash, cash equivalents, and restricted cash to amounts reported in the statements of financial position:		
Cash and cash equivalents	\$ 694,937	821,773
Restricted cash - BBBST Endowment	<u>-</u>	<u>5,000</u>
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	\$ <u>694,937</u>	<u>826,773</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements

December 31, 2022 and 2021

(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 statements 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 \$442,617 and \$567,956 as of December 31, 2022 and 2021, respectively. 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 statements 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) Leases

The Financial Accounting Standards Board (“FASB”) has issued Accounting Standards Update (“ASU”) 2016-02, *Leases*, which, among other things, requires the recognition of lease assets and lease liabilities by lessees, including for those leases previously classified as operating leases, along with the disclosure of key information about leasing arrangements. ASU 2016-02 was effective for the Organization beginning January 1, 2022. The Organization applied the *effective date method* of adoption, whereby previous periods were not required to be adjusted.

At the inception of a contract, the Organization determines whether the arrangement is or contains a lease. Leases are classified as either operating or finance, based on an evaluation of certain criteria. The Organization held one operating lease during 2022. With the exception of short-term leases (leases with an initial term of 12 months or less), the Organization records right-of-use assets and corresponding lease liabilities on the statement of financial position for all leases with contractual fixed payments. For the Organization’s operating lease, rent expense is recognized on a straight-line basis over the term of the lease, and the right-of-use asset is subsequently remeasured to reflect the effect of uneven lease payments. Refer to note 6 of the notes to the financial statements for additional information.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

(e) 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.

(f) 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 statements 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 statements of financial position as of December 31, 2022 and 2021 is \$287,333 and \$3,333 of grants receivable, respectively. Additionally, 93% and 61% of unconditional promises to give is due from three and one grantors as of December 31, 2022 and 2021, respectively.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

(g) 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 statements 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 2022 and 2021, the Organization received approximately 50,000 and 67,000 volunteer hours, respectively (unaudited).

(h) 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 10, 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.

(i) Functional Classification of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present 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.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

(j) 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 2022 and 2021, 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, 2022 and 2021.

(k) 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.

(l) Adoption of New Accounting Standard

The FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASC 958)*. This ASU enhances presentation and disclosure requirements for gifts-in-kind but does not change the recognition and measurement requirements for such contributions. ASU 2020-07 is effective for the year ended December 31, 2022. There were no changes to net assets or the change in net assets as previously reported as a result of the adoption of this ASU.

(m) Reclassifications

Certain amounts in the 2021 financial statements have been reclassified to conform to the 2022 presentation. These reclassifications had no impact on net assets or the change in net assets as previously reported.

(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.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(2) Liquidity and Availability of Resources, Continued

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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 694,937	821,773
Unconditional promises to give	308,718	23,469
Other receivables	<u>962</u>	<u>858</u>
	1,004,617	846,100
Less amounts not available to be used within one year, due to donor restrictions for purpose or time	<u>68,555</u>	<u>10,760</u>
Financial assets available to meet general expenditures within one year	\$ <u>936,062</u>	<u>835,340</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 4).

(3) Unconditional Promises to Give

	<u>2022</u>	<u>2021</u>
Due in one year	\$ 241,423	23,469
Due in two years	<u>75,000</u>	<u>-</u>
	316,423	23,469
Less discount to present value (5.57%)	<u>(7,705)</u>	<u>-</u>
	\$ <u>308,718</u>	<u>23,469</u>

(4) 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 17, 2024. Interest is due monthly at the bank's prime rate plus 2.32% (9.82% and 5.57% as of December 31, 2022 and 2021, respectively) with a minimum of 5.00%. Principal and remaining interest are due at maturity. There was no outstanding balance as of December 31, 2022 and 2021.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(5) Paycheck Protection Program Loan

In March 2021, the Organization received funding in the amount of \$100,700 from the Small Business Administration under the Paycheck Protection Program (“PPP”), which authorizes forgivable loans to small businesses to pay their employees during the COVID-19 crisis (see note 11). This funding will be forgiven if the proceeds are used for payroll and certain other allowed costs and certain other conditions are met. The funding accrues interest at 1% and is due in 2 years from origination if not forgiven.

The Organization met the eligibility criteria for forgiveness and concluded that the funding represented, in substance, a conditional grant. The Organization spent \$100,700 on expenses eligible for reimbursement and recognized this amount in income during 2021, along with accrued interest expected to be forgiven of \$683. In November 2021, the loan was legally forgiven by the lender.

(6) Leases

The Organization leases office space which is classified as an operating lease. A lease exists when a contract or part of a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In determining whether a lease exists, the Organization considers whether a contract provides it with both: (a) the right to obtain substantially all of the economic benefits from the use of the identified asset and (b) the right to direct the use of the identified asset.

Many leases include base rental periods coupled with options to renew or terminate the lease, generally at the Organization’s discretion. Certain leases additionally include options to purchase the leased asset. In evaluating the lease term, management considers whether it is reasonably certain to exercise such options. To the extent a significant economic incentive exists to exercise an option, that option is included within the lease term. However, based on the nature of the Organization’s lease arrangement, the option does not provide the Organization with a significant economic incentive and is therefore excluded from the lease term.

The measurement of right-of-use assets and lease liabilities requires management to estimate appropriate discount rates. To the extent the rate implicit in the lease is readily determinable, such rate is utilized. In cases where the rate is not implicit in the lease, the Organization utilizes the incremental borrowing rate of the Organization, which represents the rate of interest that the Organization would pay to borrow on a collateralized basis, over a similar term, an amount equal to the lease payments.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(6) Leases, Continued

Lease Position

The following table presents the lease-related assets and liabilities as of December 31, 2022:

Classification on the Statement of Financial Position

Assets:

Operating lease right-of-use asset	\$ <u>239,771</u>
------------------------------------	-------------------

Liabilities:

Current portion of operating lease liability	\$ 91,493
Long-term portion of operating lease liability	<u>171,310</u>
	\$ <u>262,803</u>

Lease Costs

The Organization recorded \$107,244 of lease expense related to this operating lease in 2022, which includes variable common area maintenance charges.

Lease Term and Discount Rate

The following table presents certain information related to the lease term and discount rate for the Organization's operating lease as of December 31, 2022:

Lease term remaining:	32 months
-----------------------	-----------

Discount rate:	5.57%
----------------	-------

Other Information

The following table presents supplemental cash flow information related to leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows used for operating lease	\$ 100,816
---	------------

Right-of-use asset obtained in exchange for operating lease liability upon ASC 842 implementation, net of deferred rent liability of \$26,099	\$ 321,925
---	------------

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(6) Leases, Continued

Maturity of Lease Liabilities

The following table reconciles future minimum lease payments on an undiscounted cash flow basis to the lease liabilities reported in the statements of financial position as of December 31, 2022:

	<u>Operating Leases</u>
2023	\$ 103,840
2024	106,956
2025	<u>72,900</u>
Total minimum lease payments	283,696
Less amount of lease payments representing interest	<u>(20,893)</u>
Present value of future minimum lease payments	\$ <u>262,803</u>

During 2021, the Organization leased office space under the same noncancellable operating lease that expires in August 2025. Total rental expense was \$97,285 in 2021.

Future amounts due under this lease agreement as of December 31, 2021, were as follows:

<u>Year ending December 31,</u>	
2022	\$ 100,816
2023	103,840
2024	106,956
2025	<u>72,900</u>
	\$ <u>384,512</u>

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(7) Fair Value Measurements

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

		<u>Fair value</u>	Significant other observable inputs (Level 2)
<u>December 31, 2022</u>			
Beneficial interest held at Triangle Community Foundation	\$	<u>302,258</u>	<u>302,258</u>
 <u>December 31, 2021</u>			
Beneficial interest held at Triangle Community Foundation	\$	<u>295,194</u>	<u>295,194</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 transfers between levels during 2022 and 2021.

(8) 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 statements of financial position, with distributions and changes in fair value recognized in the statements of activities. See note 9.

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

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 statements of financial position, with distributions and changes in fair value recognized in the statements 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.

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

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

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.

Endowment net asset composition as of December 31, 2022 is as follows:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	Total net endowment <u>assets</u>
<u>BBBST Endowment Fund</u>			
Original donor-restricted gifts in perpetuity	\$ -	225,000	225,000
Accumulated investment gains	-	29,271	29,271
	<u>\$ -</u>	<u>254,271</u>	<u>254,271</u>

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

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

Endowment net asset composition as of December 31, 2021 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	-	73,911	73,911
	<u>\$ -</u>	<u>298,911</u>	<u>298,911</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. Such deficiencies are reported in net assets with donor restrictions. There were no such deficiencies as of December 31, 2022 and 2021.

The changes in endowment net assets for 2022 and 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2020	\$ -	265,230	265,230
Change in fair value of beneficial interest assets	-	33,681	33,681
Endowment net assets, December 31, 2021	-	298,911	298,911
Change in fair value of beneficial interest assets	-	(44,640)	(44,640)
Endowment net assets, December 31, 2022	<u>\$ -</u>	<u>254,271</u>	<u>254,271</u>

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(9) Net Assets With Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Donor restricted net assets, purpose or time restriction:		
Program services in subsequent years	\$ 234,295	9,500
Scholarships	1,260	1,260
Accumulated gains on endowment	<u>29,271</u>	<u>73,911</u>
	264,826	84,671
Donor restricted net assets, perpetual -		
Endowment	<u>225,000</u>	<u>225,000</u>
Donor restricted net assets	<u>\$ 489,826</u>	<u>309,671</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 for program services totaling \$260,500 and \$52,500 in 2022 and 2021, respectively.

(10) Board Designation

The Organization's Board of Directors has designated, from net assets without donor restrictions, \$71,728 and \$25,023 as of December 31, 2022 and 2021, respectively, for the Brenda Boyd Big Brothers Big Sisters Scholarship Fund.

(11) In-Kind Contributions

The Organization receives and records certain in-kind contributions such as software licensing and IT services, with a corresponding expense as they are used. The estimated fair value of these contributions, as determined by the donors, totaled \$25,717 and \$25,921 for 2022 and 2021, respectively. During 2022 and 2021, the Organization received and utilized the following in-kind contributions, included in the financial statements:

	<u>2022</u>	<u>2021</u>
Technology:		
Software licensing	\$ 18,000	18,000
IT services	5,457	5,457
Gifts and awards - gift cards	<u>2,260</u>	<u>2,464</u>
	<u>\$ 25,717</u>	<u>25,921</u>

BIG BROTHERS BIG SISTERS
OF THE TRIANGLE, INC.

Notes to Financial Statements, Continued

December 31, 2022 and 2021

(12) Impact of COVID-19

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak 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, financial condition and cash flows.

(13) Subsequent Events

The date to which events occurring after December 31, 2022, the date of the most recent statement of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is May 17, 2023, the date the financial statements were available to be issued.