

**BIG BROTHERS AND BIG SISTERS
OF DANE COUNTY, INC.**

FINANCIAL STATEMENTS

December 31, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers and Big Sisters of Dane County, Inc.
Madison, Wisconsin

We have audited the accompanying financial statements of Big Brothers and Big Sisters of Dane County, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

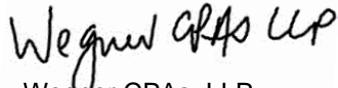
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Dane County, Inc. as of December 31, 2019 and 2018, 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.

Adoption of New Accounting Guidance

As discussed in Note 1 to the financial statements, Big Brothers and Big Sisters of Dane County, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs and ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of January 1, 2019. Our opinion is not modified with respect to this matter.



Wegner CPAs, LLP
Madison, Wisconsin
February 28, 2020

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 151,178	\$ 102,722
Promises to give	69,978	135,550
Prepaid expenses	13,919	9,650
Total current assets	235,075	247,922
FURNITURE AND EQUIPMENT		
Furniture and equipment	17,614	50,205
Accumulated depreciation	(16,785)	(49,007)
Furniture and equipment - net	829	1,198
OTHER ASSETS		
Beneficial interest in assets held by Madison Community Foundation	16,966	15,387
Investments	510,840	489,167
Promises to give	11,000	57,000
Total assets	\$ 774,710	\$ 810,674
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 12,058	\$ 11,906
Accrued expenses	40,587	31,268
Total liabilities	52,645	43,174
NET ASSETS		
Without donor restrictions	368,071	331,026
With donor restrictions	353,994	436,474
Total net assets	722,065	767,500
Total liabilities and net assets	\$ 774,710	\$ 810,674

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Allocation and contributions from United Way	\$ 166,136	\$ -	\$ 166,136
Special events	475,653	-	475,653
Cost of special events	(142,528)	-	(142,528)
Contributions	464,772	142,000	606,772
Investment return, net	83,367	-	83,367
	<u>1,047,400</u>	<u>142,000</u>	<u>1,189,400</u>
EXPENSES			
Program Services			
Enrollment	234,340	-	234,340
High School	167,534	-	167,534
Elementary	167,363	-	167,363
School Friends	113,245	-	113,245
Community	25,270	-	25,270
Back-to-School	20,026	-	20,026
Other	18,212	-	18,212
Supporting Activities			
Management and general	154,586	-	154,586
Fundraising	334,259	-	334,259
	<u>1,234,835</u>	<u>-</u>	<u>1,234,835</u>
Net assets released from donor restrictions	<u>224,480</u>	<u>(224,480)</u>	<u>-</u>
Change in net assets	37,045	(82,480)	(45,435)
Net assets at beginning of year	<u>331,026</u>	<u>436,474</u>	<u>767,500</u>
Net assets at end of year	<u>\$ 368,071</u>	<u>\$ 353,994</u>	<u>\$ 722,065</u>

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Allocation and contributions from United Way	\$ 163,903	\$ -	\$ 163,903
Special events	440,604	-	440,604
Cost of special events	(108,762)	-	(108,762)
Contributions	444,082	193,550	637,632
Investment return, net	(34,338)	-	(34,338)
Other income	1,275	-	1,275
Total support and revenue	906,764	193,550	1,100,314
EXPENSES			
Program Services			
Enrollment	210,173	-	210,173
High School	171,328	-	171,328
Elementary	153,716	-	153,716
School Friends	98,472	-	98,472
Community	50,569	-	50,569
Back-to-School	18,391	-	18,391
Other	12,071	-	12,071
Supporting Activities			
Management and general	142,899	-	142,899
Fundraising	263,796	-	263,796
Total expenses	1,121,415	-	1,121,415
Net assets released from donor restrictions	151,830	(151,830)	-
Change in net assets	(62,821)	41,720	(21,101)
Net assets at beginning of year	393,847	394,754	788,601
Net assets at end of year, as restated	\$ 331,026	\$ 436,474	\$ 767,500

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	Program Services						Supporting Activities			Total	
	Enrollment	High School	Elementary	School Friends	Community	Back-to-School	Other	Management and General	Fundraising		Cost of Special Events
Salaries	\$ 159,966	\$ 112,074	\$ 118,445	\$ 77,128	\$ -	\$ -	\$ -	\$ 51,397	\$ 224,553	\$ -	\$ 743,563
Employee benefits	28,095	25,999	22,218	15,942	-	-	-	8,428	25,759	-	126,441
Payroll taxes	11,802	8,506	8,960	5,707	-	-	-	3,655	16,775	-	55,405
Total salaries and related expenses	199,863	146,579	149,623	98,777	-	-	-	63,480	267,087	-	925,409
Contract services	9,752	3,593	3,923	2,182	1,608	393	8,853	46,777	22,391	85,796	185,268
Food and supplies	2,156	4,986	1,219	2,157	2,141	2,131	3,876	9,949	3,896	40,088	72,599
Telephone	780	925	1,075	100	-	-	300	4,981	900	-	9,061
Postage, shipping, and printing	36	-	324	434	1,272	204	897	3,417	17,142	5,066	28,792
Insurance	4,564	2,401	2,834	1,969	-	-	-	736	3,937	-	16,441
Occupancy	12,775	8,235	7,288	5,220	158	-	154	1,890	10,125	-	45,845
Travel	4,118	322	735	2,362	745	244	428	2,325	3,337	2,104	16,720
Conferences and meetings	139	439	278	-	299	-	370	3,418	4,127	-	9,070
Advertising	55	-	-	-	-	21	84	-	629	-	789
Assistance to individuals	-	-	-	-	-	-	3,250	-	-	-	3,250
Interest expense	-	-	-	-	-	-	-	20	-	-	20
Dues to affiliates	-	-	-	-	-	-	-	16,076	-	-	16,076
Bad debt	-	-	-	-	-	-	-	1,500	-	-	1,500
Depreciation	102	54	64	44	-	-	-	17	88	-	369
Total expenses before contributed goods	234,340	167,534	167,363	113,245	6,223	2,993	18,212	154,586	333,659	133,054	1,331,209
Contributed goods	-	-	-	-	19,047	17,033	-	-	600	9,474	46,154
Total expenses	234,340	167,534	167,363	113,245	25,270	20,026	18,212	154,586	334,259	142,528	1,377,363
Less expenses included with support and revenue on the statement of activities	-	-	-	-	-	-	-	-	-	(142,528)	(142,528)
Total expenses included in expenses section of the statement of activities	\$ 234,340	\$ 167,534	\$ 167,363	\$ 113,245	\$ 25,270	\$ 20,026	\$ 18,212	\$ 154,586	\$ 334,259	\$ -	\$ 1,234,835

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program Services						Supporting Activities			Total	
	Enrollment	High School	Elementary	School Friends	Community	Back-to-School	Other	Management and General	Fundraising		Cost of Special Events
Salaries	\$ 137,151	\$ 116,551	\$ 107,359	\$ 67,927	\$ -	\$ -	\$ -	\$ 37,621	\$ 156,716	\$ -	\$ 623,325
Employee benefits	29,266	22,670	21,590	13,720	-	-	-	6,642	17,393	-	111,281
Payroll taxes	10,863	9,362	8,685	5,465	-	-	-	2,826	12,185	-	49,386
Total salaries and related expenses	177,280	148,583	137,634	87,112	-	-	-	47,089	186,294	-	783,992
Contract services	11,467	5,364	3,575	1,935	4,290	-	1,806	58,397	33,393	63,476	183,703
Food and supplies	714	3,363	-	318	1,128	3,612	1,150	12,504	3,012	29,881	55,682
Telephone	1,416	1,391	1,116	991	-	-	-	600	2,542	-	8,056
Postage, shipping, and printing	-	-	-	528	2,743	-	685	3,379	16,644	5,498	29,477
Insurance	4,283	2,416	2,636	1,647	-	-	-	611	3,661	-	15,254
Occupancy	11,300	6,771	6,972	4,358	-	-	55	1,615	9,684	-	40,755
Travel	2,215	1,189	1,204	1,285	-	73	364	1,470	3,540	321	11,661
Conferences and meetings	448	745	303	126	4,859	7	352	5,335	2,844	-	15,019
Advertising	-	-	-	-	-	-	-	-	1,799	-	1,799
Assistance to individuals	602	1,253	-	-	1,130	717	7,659	-	-	-	11,361
Interest expense	-	-	-	-	-	-	-	959	-	-	959
Dues to affiliates	-	-	-	-	-	-	-	9,875	-	-	9,875
Bad debt	-	-	-	-	-	-	-	1,000	-	-	1,000
Depreciation	448	253	276	172	-	-	-	65	383	-	1,597
Total expenses before contributed goods	210,173	171,328	153,716	98,472	14,150	4,409	12,071	142,899	263,796	99,176	1,170,190
Contributed goods	-	-	-	-	36,419	13,982	-	-	-	9,586	59,987
Total expenses	210,173	171,328	153,716	98,472	50,569	18,391	12,071	142,899	263,796	108,762	1,230,177
Less expenses included with support and revenue on the statement of activities	-	-	-	-	-	-	-	-	-	(108,762)	(108,762)
Total expenses included in the expenses section of the statement of activities	\$ 210,173	\$ 171,328	\$ 153,716	\$ 98,472	\$ 50,569	\$ 18,391	\$ 12,071	\$ 142,899	\$ 263,796	\$ -	\$ 1,121,415

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (45,435)	\$ (21,101)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	369	1,597
Donated stock	(2,062)	(1,572)
Net realized and unrealized (gain) loss on investments	(63,875)	54,883
(Increase) decrease in assets		
Promises to give	111,572	66,530
Prepaid expenses	(4,269)	5,982
Increase (decrease) in liabilities		
Accounts payable	152	5,407
Accrued expenses	9,319	7,614
Net cash flows from operating activities	5,771	119,340
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest in assets held by Madison Community Foundation	636	655
Proceeds from sales of investments	67,000	15,510
Purchases of and interest retained in investments	(24,951)	(26,546)
Net cash flows from investing activities	42,685	(10,381)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments on line of credit	(10,000)	(124,500)
Proceeds from line of credit	10,000	99,500
Net cash flows from financing activities	-	(25,000)
Net change in cash	48,456	83,959
Cash at beginning of year	102,722	18,763
Cash at end of year	\$ 151,178	\$ 102,722
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 20	\$ 959
Noncash investing activities		
Donated stock	2,062	1,572

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Big Brothers and Big Sisters of Dane County, Inc. was organized as a not-for-profit organization in 1966. Big Brothers and Big Sisters of Dane County, Inc. was formed for the purpose of providing human services and other opportunities to children who do not have these services available to them in their own homes. The primary source of revenue is public support.

Basis of Presentation

Big Brothers and Big Sisters of Dane County, Inc. reports information regarding its financial position and activities based upon the existence or absence of restrictions on use that are placed by its donors.

Net assets without donor restrictions are resources available to support operations. Designations are voluntary board-approved segregations of net assets without donor restrictions for specific purposes, projects, or investments.

Net assets with donor restrictions are resources subject to donor-imposed restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Receivables

Big Brothers and Big Sisters of Dane County, Inc. considers all receivables to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If receivables become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as support in the period the promises are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give receivable in less than one year are recorded at their net realizable value. Promises to give at December 31, 2019 and 2018 receivable in more than one year were \$11,000 and \$57,000.

Big Brothers and Big Sisters of Dane County, Inc. considers all promises to give to be fully collectible. Accordingly, no allowance for doubtful accounts is required. If promises to give become uncollectible, they will be charged to operations when that determination is made.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments consist of equity securities that are carried at fair value and money market funds related to the investment portfolio.

Big Brothers and Big Sisters of Dane County, Inc. also has investments held in agency endowment by the Madison Community Foundation (MCF). Big Brothers and Big Sisters of Dane County, Inc. may receive the income earned from the agency endowment of the MCF. These funds are recorded as board-designated net assets and are carried at fair value.

Investment fees for 2019 and 2018 include donated investment services of \$5,000 provided by a member of the board of directors.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment with a value of over \$500 is capitalized and depreciated using the straight-line method over an estimated useful life relative to the piece of furniture or equipment.

Contributed equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of equipment are recorded as unrestricted support.

Contributions

Contributions are recognized as revenue when received or unconditionally pledged. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the statements of activities.

Expense Allocations

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include: personnel, insurance, occupancy, and depreciation, which are allocated on the basis of estimates of time and effort.

The following program services are included in the accompanying financial statements:

Enrollment

Assesses youth and volunteers for eligibility and suitability for the program.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

High School

Mentoring program for 8th through high school mentees involving academic and career development, one-to-one mentoring, and individualized success plans.

Elementary

Mentoring program for elementary through 7th grade mentees involving one-on-one outings and activities.

School Friends

Site-based mentoring program that takes place at the mentee's school once per week usually during lunch or after school.

Community

Mentoring program that takes place out in the community once per week, involving one-on-one outings and activities.

Back-to-School

Annual event where backpacks and school supply kits are provided to mentees to get them ready for the upcoming school year.

Other

Additional events, supplies, and trainings to support our one-to-one mentoring programs.

Donated Services

Donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received.

In addition, a large number of volunteers have given significant amounts of their time to Big Brothers and Big Sisters of Dane County, Inc.'s programs, fundraising campaigns, and management. No amounts have been recorded in the financial statements for these volunteer services because the criteria for recognition have not been met.

Advertising

Big Brothers and Big Sisters of Dane County, Inc. uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred. Advertising costs for 2019 and 2018 totaled \$789 and \$1,799.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation of the current year financial statements.

Income Tax Status

Big Brothers and Big Sisters of Dane County, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Adoption of New Accounting Guidance

On May 28, 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Big Brothers and Big Sisters of Dane County, Inc. adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the organization elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of the organization's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the organization's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Big Brothers and Big Sisters of Dane County, Inc.'s financial statements. The majority of the organization's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on the organization's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. Big Brothers and Big Sisters of Dane County, Inc. adopted the requirements of the ASU as of January 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of January 1, 2019, or entered into after that date. The adoption of the new guidance did not have a significant impact on the Big Brothers and Big Sisters of Dane County, Inc.'s financial statements.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through February 28, 2020, the date which the financial statements were available to be issued.

NOTE 2 – INVESTMENTS

Investments at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Mutual funds	\$ 502,675	\$ 416,926
Money market funds	<u>8,165</u>	<u>72,241</u>
Total investments	<u>\$ 510,840</u>	<u>\$ 489,167</u>

NOTE 3 – AGENCY ENDOWMENT

The Big Brothers and Big Sisters of Dane County, Inc. established an agency endowment at Madison Community Foundation (MCF). The Big Brothers and Big Sisters of Dane County, Inc. recognizes the fair value of donations as contributions when received. When the Big Brothers and Big Sisters of Dane County, Inc. transfers the funds to MCF it recognizes the transfer as a decrease in cash and an increase in an asset called beneficial interest in assets held by MCF.

The Big Brothers and Big Sisters of Dane County, Inc. acknowledges that by virtue of the governing instrument of MCF, the Board of Governors of MCF has the authority to modify any restriction or condition on the distribution of assets from MCF if, in the reasonable judgment of the Board of Governors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community served by MCF. MCF maintains legal ownership of the fund.

MCF has a spending policy to make an annual distribution to the Big Brothers and Big Sisters of Dane County, Inc. that will be calculated over 12 quarters and represents 4.75% of the average value of the assets in MCF in 2017, 4.5% in 2018, and 4.25% in 2019. The Big Brothers and Big Sisters of Dane County, Inc. received distributions of \$636 and \$655 in 2019 and 2018.

NOTE 4 – LINE OF CREDIT

Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit agreement with State Bank of Cross Plains that expires September 4, 2020. The interest rate on outstanding principal is prime plus 1.5% with a floor of 5%. At December 31, 2019, the interest rate was 5.75%. The line of credit is secured by Big Brothers and Big Sisters of Dane County, Inc.'s assets. At December 31, 2019 and 2018 there was no outstanding balance on the line of credit.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 were restricted for the following:

	<u>2019</u>	<u>2018</u>
For future operations	\$ 112,070	\$ 198,550
Match support	75,400	90,000
Bowling for Kids' Sake	14,600	21,000
Matchmaker	1,500	2,500
Back-to-School	5,000	-
Gala	<u>37,500</u>	<u>17,000</u>
Net assets with donor restrictions - temporarily restricted	246,070	329,050
Net assets with donor restrictions - permanently restricted	<u>107,924</u>	<u>107,424</u>
Total net assets with donor restrictions	<u>\$ 353,994</u>	<u>\$ 436,474</u>

NOTE 6 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at December 31 consisted of the following:

	<u>2019</u>	<u>2018</u>
Board-designated endowment funds	\$ 402,916	\$ 381,743
Board-designated - MCF	16,966	15,387
Undesignated	<u>(51,811)</u>	<u>(66,104)</u>
Net assets without donor restrictions	<u>\$ 368,071</u>	<u>\$ 331,026</u>

NOTE 7 – SPECIAL EVENTS

Big Brothers and Big Sisters of Dane County, Inc. has various fundraising events. The revenue and costs directly associated with fundraising events were as follows:

	<u>2019</u>	<u>2018</u>
Gross revenue	\$ 475,653	\$ 440,604
Cost of special events		
Bowling for Kids' Sake	27,229	20,013
Gala	114,349	79,470
Other	<u>950</u>	<u>9,279</u>
Cost of special events	<u>142,528</u>	<u>108,762</u>
Special events - net	<u>\$ 333,125</u>	<u>\$ 331,842</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 8 – OPERATING LEASE

Big Brothers and Big Sisters of Dane County, Inc. leases space for its administrative office and program services from a primary funder, United Way of Dane County. The lease required monthly payments of \$3,297 through December 2018, and \$3,523 for January 2019 through December 2020. Rental expense for 2019 and 2018 was \$42,280 and \$40,755. Future minimum lease payments for 2020 are \$42,280.

NOTE 9 – EMPLOYEE RETIREMENT PLAN

Big Brothers and Big Sisters of Dane County, Inc. has a tax-deferred 401(k) retirement plan. Employees working 20 hours or more upon completion of 12 months of service are eligible for an employer match. Big Brothers and Big Sisters of Dane County, Inc. contributes a 50% match up to 3% of the employee's contributions. Employee benefit plan expense was \$10,987 and \$7,063 for 2019 and 2018.

NOTE 10 – FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2019 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 502,675	\$ 502,675	\$ -
Money market funds	8,165	8,165	-
Beneficial interest in net assets held by MCF	16,966	-	16,966
	<u>\$ 527,806</u>	<u>\$ 510,840</u>	<u>\$ 16,966</u>

Fair values of assets measured on a recurring basis at December 31, 2018 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Mutual funds	\$ 416,926	\$ 416,926	\$ -
Money market funds	72,241	72,241	-
Beneficial interest in net assets held by MCF	15,387	-	15,387
	<u>\$ 504,554</u>	<u>\$ 489,167</u>	<u>\$ 15,387</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 10 – FAIR VALUE MEASUREMENTS (continued)

Fair values for mutual funds, stocks, and money market funds are determined by reference to quoted market prices and other relevant information generated by market transactions. Fair values for bonds are determined based on recent prices of similar assets.

The Big Brothers and Big Sisters of Dane County, Inc.’s beneficial interest in assets held by MCF represents an agreement between the Big Brothers and Big Sisters of Dane County, Inc. and MCF in which the Big Brothers and Big Sisters of Dane County, Inc. transfers assets to MCF in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to The Big Brothers and Big Sisters of Dane County, Inc. by MCF. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about assets measured at fair value on a recurring basis using significant unobservable inputs:

	Beneficial Interest in Assets Held by MCF	
	2019	2018
Beginning balance	\$ 15,387	\$ 16,359
Change in value of beneficial interest included in change in net assets	2,215	(317)
Distribution	(636)	(655)
Ending balance	<u>\$ 16,966</u>	<u>\$ 15,387</u>

The change in value of beneficial interest included in change in net assets is included in investment return on the statements of activities.

NOTE 11 – ENDOWMENTS

Big Brothers and Big Sisters of Dane County, Inc.’s endowment consists of a donor-restricted fund where the investment income, including realized gains and losses is given to Big Brothers and Big Sisters of Dane County, Inc. and the funds are designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 11 – ENDOWMENTS (continued)

The Board of Directors of The Big Brothers and Big Sisters of Dane County, Inc. has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Big Brothers and Big Sisters of Dane County, Inc. classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as board designated net assets until those amounts are appropriated for expenditure by The Big Brothers and Big Sisters of Dane County, Inc. in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, The Big Brothers and Big Sisters of Dane County, Inc. considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Big Brothers and Big Sisters of Dane County, Inc., and (7) The Big Brothers and Big Sisters of Dane County, Inc.'s investment policies.

Investment Return Objectives, Risk Parameters and Strategies. The Big Brothers and Big Sisters of Dane County, Inc. has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those *endowment* assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes mutual funds invested in equity, fixed income and money market securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution to Big Brothers and Big Sisters of Dane County, Inc. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 11 – ENDOWMENTS (continued)

Endowment net asset composition by type of fund as of December 31 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>
Donor-restricted endowment funds	\$ -	107,924	\$ 107,924
Board-designated endowment funds	402,916	-	402,916
Board-designated - MCF	16,966	-	16,966
	<u>\$ 419,882</u>	<u>\$ 107,924</u>	<u>\$ 527,806</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>
Donor-restricted endowment funds	\$ -	107,424	\$ 107,424
Board-designated endowment funds	381,743	-	381,743
Board-designated - MCF	15,387	-	15,387
	<u>\$ 397,130</u>	<u>\$ 107,424</u>	<u>\$ 504,554</u>

Changes in endowment net assets for the years ended December 31 were as follows:

	<u>Unrestricted</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets at December 31, 2017	\$ 440,659	\$ 106,924	\$ 547,583
Contributions	-	500	500
Investment return	25,675	-	25,675
Net depreciation	(55,316)	-	(55,316)
Appropriation for expenditures	(13,888)	-	(13,888)
Endowment net assets at December 31, 2018	397,130	107,424	504,554
Contributions	-	500	500
Investment return	22,429	-	22,429
Net appreciation	65,600	-	65,600
Appropriation for expenditures	(65,277)	-	(65,277)
Endowment net assets at December 31, 2019	<u>\$ 419,882</u>	<u>\$ 107,924</u>	<u>\$ 527,806</u>

NOTE 12 – RELATED PARTY

At December 31, 2019 and 2018, Big Brothers and Big Sisters of Dane County, Inc. received \$17,245 and \$7,834 in donated materials from several board members.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 13 – FUTURE COMMITMENTS

Big Brothers and Big Sisters of Dane County, Inc. has a three year agreement through July 2021 with a service organization for their annual GALA. Upon termination of the agreement, Big Brothers and Big Sisters of Dane County, Inc. is obligated to pay \$1,500 in fees.

NOTE 14 – LIQUIDITY AND AVAILABILITY

The following table reflects the Big Brothers and Big Sisters of Dane County, Inc. financial assets of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statements of financial position date because of internal board designations or donor-imposed restrictions:

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 759,962	\$ 799,826
Less those unavailable for general expenditures within one year, due to:		
Board designated endowment and MCF	(419,882)	(397,130)
Restricted by donor with purpose restrictions	(134,000)	(130,500)
Restricted by donor with time restrictions of more than one year	(11,000)	(57,000)
Restricted by donor for perpetuity	<u>(107,924)</u>	<u>(107,424)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 87,156</u>	<u>\$ 107,772</u>

Financial assets at year-end consist of cash, promises to give, investments, and beneficial interest in assets held by MCF.

As part of Big Brothers and Big Sisters of Dane County, Inc.'s liquidity management, the organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage liquidity, Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit upon which it can draw as needed (as further discussed in Note 4).

Big Brothers and Big Sisters of Dane County, Inc. also maintains an Endowment. The purpose of the Endowment is to provide consistent annual distributions to the ongoing operations of Big Brothers and Big Sisters of Dane County, Inc. as well as provide scholarship funds to Littles while preserving principal and the financial power of the Endowment. The Endowment consists of:

1. *Board-Designated funds.* The Endowment Fund includes assets designated by the board to function as endowment funds. These funds resulted from past fundraising efforts which yielded funds above those needed to manage day-to-day operations and were received with no donor restrictions. The Board of Directors can decide at any time to undesignate these funds as endowment funds.

Investments held by the Madison Community Foundation (MCF) are considered board-designated endowment funds. The assets are controlled by MCF. Donations can be made to BBBS through MCF. MCF determines an annual distribution calculated over 12 quarters and representing 4.25% of the average value of the assets.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 14 – LIQUIDITY AND AVAILABILITY (continued)

2. *Donor Restricted Funds.* The Endowment Fund includes donations that have donor-imposed restrictions. These restrictions require the preservation of the original donation principal or have designated the donation to be used for a specific purpose. The Board of Directors may not change the donor restrictions unless expressly granted by the donor.