

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

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Big Brothers and Big Sisters of Dane County, Inc., 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 accompanying financial statements present fairly, in all material respects, the financial position of Big Brothers and Big Sisters of Dane County, Inc. 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers and Big Sisters of Dane County, Inc. 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.

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. 2016-02, *Leases (Topic 842)*, and all subsequently clarifying ASUs and ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, as of January 1, 2022. 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 Big Brothers and Big Sisters of Dane County, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

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

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
February 20, 2023

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 971,915	\$ 815,676
Grants receivable	34,005	-
Unconditional promises to give	163,850	144,412
Prepaid expenses	44,056	21,424
Total current assets	1,213,826	981,512
FURNITURE AND EQUIPMENT		
Furniture and equipment	22,068	17,614
Accumulated depreciation	(17,763)	(17,522)
Furniture and equipment, net	4,305	92
OTHER ASSETS		
Unconditional promises to give	53,902	105,000
Investments	563,527	669,015
Beneficial interest in assets held by Madison Community Foundation	17,222	19,836
Finance lease right-of-use asset	6,168	-
Total assets	\$ 1,858,950	\$ 1,775,455
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 22,260	\$ 14,739
Accrued expenses	52,914	66,527
Refundable advance	-	25,000
Deferred revenue	45,625	-
Finance lease liability	6,219	-
Total current liabilities	127,018	106,266
NET ASSETS		
Without donor restrictions	1,013,856	1,070,765
With donor restrictions	718,076	598,424
Total net assets	1,731,932	1,669,189
Total liabilities and net assets	\$ 1,858,950	\$ 1,775,455

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions			
General contributions	\$ 310,975	\$ 458,652	\$ 769,627
Grants	336,462	-	336,462
In-kind contributions	27,687	-	27,687
Allocation and contributions from United Way	163,645	-	163,645
Special events	393,971	-	393,971
Costs of direct benefits to donors	(24,788)	-	(24,788)
Change in value of beneficial interest in assets held by MCF	(1,910)	-	(1,910)
Investment return, net	(111,497)	-	(111,497)
	<u>1,094,545</u>	<u>458,652</u>	<u>1,553,197</u>
EXPENSES			
Program services			
Enrollment	307,309	-	307,309
MentorU/School Friends	39,859	-	39,859
Community	510,853	-	510,853
Back-to-School	9,077	-	9,077
Other	15,493	-	15,493
Supporting activities			
Management and general	208,477	-	208,477
Fundraising	399,386	-	399,386
	<u>1,490,454</u>	<u>-</u>	<u>1,490,454</u>
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	239,000	(239,000)	-
Expiration of time restrictions	100,000	(100,000)	-
	<u>339,000</u>	<u>(339,000)</u>	<u>-</u>
Change in net assets	(56,909)	119,652	62,743
Net assets at beginning of year	<u>1,070,765</u>	<u>598,424</u>	<u>1,669,189</u>
Net assets at end of year	<u>\$ 1,013,856</u>	<u>\$ 718,076</u>	<u>\$ 1,731,932</u>

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions			
General contributions	\$ 337,048	\$ 316,999	\$ 654,047
Grants	195,637	-	195,637
In-kind contributions	32,705	-	32,705
Paycheck Protection Program loans	349,182	-	349,182
Allocation and contributions from United Way	177,345	-	177,345
Special events	417,836	-	417,836
Costs of direct benefits to donors	(28,172)	-	(28,172)
Change in value of beneficial interest in assets held by MCF	3,063	-	3,063
Investment return, net	75,167	-	75,167
	<u>1,559,811</u>	<u>316,999</u>	<u>1,876,810</u>
Total support and revenue	1,559,811	316,999	1,876,810
EXPENSES			
Program services			
Enrollment	129,367	-	129,367
School Friends	97,627	-	97,627
Community	415,543	-	415,543
Back-to-School	19,851	-	19,851
Other	15,091	-	15,091
Supporting activities			
Management and general	212,594	-	212,594
Fundraising	387,666	-	387,666
	<u>1,277,739</u>	<u>-</u>	<u>1,277,739</u>
Total expenses	1,277,739	-	1,277,739
NET ASSETS RELEASED FROM RESTRICTIONS			
Satisfaction of purpose restrictions	125,490	(125,490)	-
Expiration of time restrictions	136,000	(136,000)	-
	<u>261,490</u>	<u>(261,490)</u>	<u>-</u>
Total net assets released from restrictions	261,490	(261,490)	-
Change in net assets	543,562	55,509	599,071
Net assets at beginning of year	<u>527,203</u>	<u>542,915</u>	<u>1,070,118</u>
Net assets at end of year	<u><u>\$ 1,070,765</u></u>	<u><u>\$ 598,424</u></u>	<u><u>\$ 1,669,189</u></u>

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services					Supporting Activities		Costs of Direct Benefits to Donors	Total Expenses
	Enrollment	MentorU/ School Friends	Community	Back-to-School	Other	Management and General	Fundraising		
Salaries	\$ 218,467	\$ 34,060	\$ 309,351	\$ -	\$ -	\$ 75,983	\$ 208,182	\$ -	\$ 846,043
Employee benefits	28,516	2,229	57,259	-	-	11,773	25,704	-	125,481
Payroll taxes	16,190	2,725	22,912	-	-	5,518	15,570	-	62,915
Total salaries and related expenses	263,173	39,014	389,522	-	-	93,274	249,456	-	1,034,439
Contract services	18,966	845	20,024	-	8,939	64,924	89,721	-	203,419
Food and supplies	1,272	-	18,738	4,075	2,366	14,738	5,037	20,493	66,719
Telephone	1,075	-	1,821	-	-	1,360	1,510	-	5,766
Postage, shipping, and printing	638	-	3,440	-	-	1,137	18,840	-	24,055
Insurance	5,241	-	7,642	-	966	1,222	4,363	-	19,434
Occupancy	11,998	-	17,625	345	575	2,799	9,988	-	43,330
Travel	2,355	-	1,129	112	709	1,364	3,223	-	8,892
Conferences and meetings	220	-	5,705	-	-	5,305	4,266	-	15,496
Advertising	-	-	7,920	-	145	3,412	1,017	-	12,494
Assistance to individuals	-	-	17,196	-	-	-	10,700	-	27,896
Interest	-	-	-	-	-	97	-	-	97
Dues to affiliates	-	-	-	-	-	17,710	-	-	17,710
Depreciation and amortization	607	-	885	-	-	141	505	-	2,138
Equipment and maintenance	1,764	-	2,551	-	1,793	107	760	-	6,975
Total expenses before contributed goods	307,309	39,859	494,198	4,532	15,493	207,590	399,386	20,493	1,488,860
Contributed goods	-	-	16,655	4,545	-	887	-	4,295	26,382
Total expenses	307,309	39,859	510,853	9,077	15,493	208,477	399,386	24,788	1,515,242
Less expenses included with support and revenue on the statement of activities	-	-	-	-	-	-	-	(24,788)	(24,788)
Total expenses included in expenses section of the statement of activities	\$ 307,309	\$ 39,859	\$ 510,853	\$ 9,077	\$ 15,493	\$ 208,477	\$ 399,386	\$ -	\$ 1,490,454

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services					Supporting Activities		Costs of Direct Benefit to Donors	Total Expenses
	Enrollment	School Friends	Community	Back-to-School	Other	Management and General	Fundraising		
Salaries	\$ 89,448	\$ 72,994	\$ 262,112	\$ -	\$ -	\$ 77,889	\$ 211,824	\$ -	\$ 714,267
Employee benefits	10,612	7,243	48,695	-	-	11,454	27,079	-	105,083
Payroll taxes	6,979	5,489	19,659	-	-	5,682	15,547	-	53,356
Total salaries and related expenses	107,039	85,726	330,466	-	-	95,025	254,450	-	872,706
Contract services	9,697	1,881	10,967	-	7,764	58,731	92,796	-	181,836
Food and supplies	342	1,985	9,256	6,067	1,514	8,156	2,815	20,086	50,221
Telephone	675	125	1,817	-	-	5,571	1,170	-	9,358
Postage, shipping, and printing	2	-	241	-	284	2,998	17,733	-	21,258
Insurance	2,254	2,171	6,455	-	1,214	1,352	4,115	-	17,561
Occupancy	5,831	5,615	17,044	-	1,101	3,497	10,643	-	43,731
Travel	1,191	-	1,842	41	197	203	1,010	-	4,484
Conferences and meetings	2,150	75	730	5	2,511	2,037	2,752	-	10,260
Advertising	-	-	-	-	506	2,726	89	-	3,321
Assistance to individuals	-	-	24,082	-	-	-	-	-	24,082
Dues to affiliates	-	-	-	-	-	17,113	-	-	17,113
Depreciation	51	49	146	-	-	30	93	-	369
Equipment and maintenance	135	-	580	-	-	14,105	-	-	14,820
Total expenses before contributed goods	129,367	97,627	403,626	6,113	15,091	211,544	387,666	20,086	1,271,120
Contributed goods	-	-	11,917	13,738	-	1,050	-	8,086	34,791
Total expenses	129,367	97,627	415,543	19,851	15,091	212,594	387,666	28,172	1,305,911
Less expenses included with support and revenue on the statement of activities	-	-	-	-	-	-	-	(28,172)	(28,172)
Total expenses included in the expenses section of the statement of activities	\$ 129,367	\$ 97,627	\$ 415,543	\$ 19,851	\$ 15,091	\$ 212,594	\$ 387,666	\$ -	\$ 1,277,739

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 62,743	\$ 599,071
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	241	369
Amortization of finance lease right-of-use asset	1,897	-
Donated stock	-	(1,153)
Paycheck Protection Program loans forgiven	-	(349,182)
Net realized and unrealized (gains) losses on investments	105,842	(78,798)
Change in value of beneficial interest in assets held by MCF	1,910	(3,063)
(Increase) decrease in assets		
Grants receivable	(34,005)	-
Unconditional promises to give	31,660	66,942
Prepaid expenses	(22,632)	(972)
Finance right-of-use asset	(8,065)	-
Increase (decrease) in liabilities		
Accounts payable	7,521	3,252
Accrued expenses	(13,613)	17,618
Refundable advance	(25,000)	25,000
Deferred revenue	45,625	(3,740)
Finance lease liability	6,219	-
Net cash flows from operating activities	160,343	275,344
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of furniture and equipment	(4,454)	-
Distributions from beneficial interest in assets held by MCF	704	666
Proceeds from sales of investments	350	-
Purchases of investments and reinvested income	(704)	(2,319)
Net cash flows from investing activities	(4,104)	(1,653)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loans	-	174,682
Net change in cash	156,239	448,373
Cash at beginning of year	815,676	367,303
Cash at end of year	\$ 971,915	\$ 815,676
SUPPLEMENTAL DISCLOSURES		
Noncash investing activities		
Donated stock	\$ -	\$ 1,153

See accompanying notes.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers and Big Sisters of Dane County, Inc. (BBBS) 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 according to two classes of net assets that are 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 and not subject to donor restrictions. 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 that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions are perpetual in nature, such as those that are restricted by a donor that the 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.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. At December 31, 2022 and 2021, \$163,850 and \$144,412, respectively, of unconditional promises to give are receivable in less than one year, and \$53,902 and \$105,000, respectively, of unconditional promises to give are receivable in one to five years.

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.

Grants Receivable

Grants receivable represent amounts that have been billed under contracts for services provided by Big Brothers and Big Sisters of Dane County, Inc. Grants receivable are stated at the amount management expects to be collected from outstanding balances. As of December 31, 2022, management has determined, that all amounts are fully collectible and no allowance for doubtful accounts is necessary.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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. Unrealized gains and losses are included in the change in assets in the accompanying statements of activities.

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 2022 and 2021 include donated investment services of \$5,600 and \$6,000 provided by a donor, respectively.

Beneficial Interest in Assets Held by Madison Community Foundation

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

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment with a value over \$2,500 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.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants

Big Brothers and Big Sisters of Dane County, Inc. receives grants from government agencies and others that are conditioned upon Big Brothers and Big Sisters of Dane County, Inc. incurring qualifying expenses. Revenue from these grants is generally recognized on a reimbursement basis; that is, when qualifying expenses are incurred by Big Brothers and Big Sisters of Dane County, Inc., both a receivable from the grantor agency and revenue are recorded. Grants are also generally restricted by the grantor for a specified purpose. Grants whose conditions and restrictions are met in the same reporting period that revenue is recognized are reported as increases in net assets without grantor restrictions.

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: salaries and related expenses, insurance, occupancy, and depreciation and amortization, 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.

MentorU (School Friends Mentoring)

In 2022, the School Friends program was replaced with MentorU. MentorU's mission is to help high school students develop personal, academic, and career skills by providing each student with a volunteer mentor with experience in a variety of areas. The MentorU class and the mentors will offer extra opportunities and resources to students regarding career exploration, college admission guidance, and future planning. We match every student with a volunteer adult mentor based on shared career and/or personal interest. Once a week, students have MentorU class time to complete a weekly lesson and communicate with their mentor by sending an online message via the BBBS messaging technology platform. Students and mentors discuss various topics in their weekly messages, such as perseverance, critical thinking, self-advocacy, and goal-setting.

In 2021, the School Friends program included online mentoring program for K thru 8th grade Littles. Mentoring took place over Zoom 1x/week during the school day. BBBS provided activities and conversation starters to help Matches get to know each other during their sessions. Matches did not meet in person.

Community

The core, traditional program of BBBS involves an adult mentor "Big" matched with a child "Little". These community-based mentoring relationships involve one-on-one outings and activities, doing things the Big and Little enjoy together like: taking a walk in the park, going to a museum, listening to music, or hanging out and talking. Some Bigs meet with their Littles on the weekends. Others get together with their Littles on weekday evenings. Each match is unique and develops a schedule that works for them. Each match is supervised and supported by an agency Match Support Specialist.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Back-to-School

An 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 training to support BBBS' one-to-one mentoring programs.

Donated Services

Donated services are recognized as contributions if the services create or enhance nonfinancial assets or they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers also provided mentoring and fundraising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Leases

Big Brothers and Big Sisters of Dane County, Inc. does not recognize short-term leases in the statements of financial position. For these leases, Big Brothers and Big Sisters of Dane County, Inc. recognizes the lease payments in the change in net assets on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. Big Brothers and Big Sisters of Dane County, Inc. also does not separate nonlease components from lease components for all classes of underlying assets and instead accounts for each separate lease component and the nonlease components associated with that lease component as a single lease component. If the rate implicit in the lease is not readily determinable, Big Brothers and Big Sisters of Dane County, Inc. uses a risk-free rate as the discount rate for the lease for all classes of underlying assets.

Advertising

Big Brothers and Big Sisters of Dane County, Inc. uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred and were \$12,494 and \$3,321, for the years ended December 31, 2022 and 2021, respectively.

Adoption of New Accounting Guidance

On February 25, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The guidance in this Update and all subsequently issued clarifying Updates supersede the guidance in FASB Accounting Standards Codification (ASC) Topic 840, Leases, and creates FASB ASC Topic 842, Leases. The main difference between previous guidance and Topic 842 is the recognition of assets and liabilities by lessees for those leases classified as operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

representing its right to use the underlying asset for the lease term. Also, under Topic 842, disclosures are required by lessees and lessors to report useful information to users of financial statements about the amount, timing, and uncertainty of cash flows arising from leases.

Big Brothers and Big Sisters of Dane County, Inc. adopted the requirements of Topic 842 as of January 1, 2022, using the optional transition method that allows Big Brothers and Big Sisters of Dane County, Inc. to initially apply the new guidance at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Big Brothers and Big Sisters of Dane County, Inc.'s reporting for the year ended December 31, 2021, is in accordance with the previous guidance in Topic 840.

Big Brothers and Big Sisters of Dane County, Inc. elected the package of practical expedients permitted under the transition guidance within Topic 842. This package allowed Big Brothers and Big Sisters of Dane County, Inc. to account for its leases that commenced before the adoption date without reassessing whether any expired or existing contracts are or contain leases, the lease classification for any expired or existing leases, and initial direct costs for any existing leases.

The adoption of Topic 842 resulted in the recognition of finance lease right-of-use assets of \$6,168 and finance lease liabilities of \$6,219 as of January 1, 2022. The adoption of Topic 842 did not have a material effect on Big Brothers and Big Sisters of Dane County, Inc.'s change in net assets or cash flows.

Also, on September 17, 2020, the FASB issued Accounting Standards Update ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intent of this Update is to improve transparency in the reporting of contributed nonfinancial assets (also known as in-kind contributions) received by not-for-profit entities. This Update requires a not-for-profit entity to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. This Update also requires enhanced disclosures about the valuation of contributed nonfinancial assets and their use in programs and other activities, including any donor-imposed restrictions on such use. Big Brothers and Big Sisters of Dane County, Inc. adopted the requirements of this Update effective January 1, 2022. The changes required by this Update have been applied retrospectively to all periods presented.

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.

Date of Management's Review

Management has evaluated subsequent events through February 20, 2023, the date which the financial statements were available to be issued.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2 – CONCENTRATIONS OF CREDIT RISK

Big Brothers and Big Sisters of Dane County, Inc. maintains cash balances at two financial institutions in Madison, Wisconsin. The balances at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2021, Big Brothers and Big Sisters of Dane County, Inc.'s uninsured cash balances total \$416,991. Big Brothers and Big Sisters of Dane County, Inc. opened an ICS account during 2022 to further protect its cash balances and there are no uninsured cash balances at December 31, 2022.

NOTE 3 – INVESTMENTS

Investments at December 31 consisted of the following:

	2022	2021
Mutual funds	\$ 13,144	\$ 46,968
Money market funds	550,383	622,047
Total investments	\$ 563,527	\$ 669,015

Mutual funds are valued at unadjusted quoted prices reported on the active markets on which the individual securities are traded, which are Level 1 fair value measurements.

NOTE 4 – AGENCY ENDOWMENT

Big Brothers and Big Sisters of Dane County, Inc. established an agency endowment at Madison Community Foundation (MCF). Big Brothers and Big Sisters of Dane County, Inc. recognizes the fair value of donations as contributions when received. When 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.

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 Big Brothers and Big Sisters of Dane County, Inc. that will be calculated over 12 quarters and represents 4.25% of the average value of the assets in MCF in 2022 and 2021. Big Brothers and Big Sisters of Dane County, Inc. received distributions of \$704 and \$666 in 2022 and 2021.

NOTE 5 – LINE OF CREDIT

Big Brothers and Big Sisters of Dane County, Inc. has a \$200,000 line of credit agreement with Park Bank that expires August 27, 2023. The interest rate on outstanding principal is prime plus 1% with a floor of 4%. At December 31, 2022, the interest rate was 5.5%. The line of credit is secured by Big Brothers and Big Sisters of Dane County, Inc.'s assets. At December 31, 2022 and 2021 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, 2022 and 2021

NOTE 6 – PAYCHECK PROTECTION PROGRAM LOAN

Big Brothers and Big Sisters of Dane County, Inc. received loans totaling \$349,182 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loans accrue interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower’s forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by Big Brothers and Big Sisters of Dane County, Inc. during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over five years. On January 19, 2021, the SBA approved forgiveness of Big Brothers and Big Sisters of Dane County, Inc.’s first draw loan and accrued interest. On September 13, 2021, the SBA approved forgiveness of Big Brothers and Big Sisters of Dane County, Inc.’s second draw loan and accrued interest. Big Brothers and Big Sisters of Dane County, Inc. must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Big Brothers and Big Sisters of Dane County, Inc.’s good-faith certification concerning the necessity of its loan request, whether Big Brothers and Big Sisters of Dane County, Inc. calculated the loan amount correctly, whether Big Brothers and Big Sisters of Dane County, Inc. used loan proceeds for the allowable uses specified in the CARES Act, and whether Big Brothers and Big Sisters of Dane County, Inc. is entitled to loan forgiveness in the amount claimed on its application. If SBA determines Big Brothers and Big Sisters of Dane County, Inc. was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2022</u>	<u>2021</u>
Future years' operations	\$ 299,652	\$ 463,500
Community	11,000	15,000
Bowlin' for Kids' Sake/The Hunt	2,500	3,000
Adopt-a-Family	10,000	-
MentorU	205,000	-
Scholarships	25,000	-
Gala	<u>55,000</u>	<u>7,500</u>
Net assets with donor restrictions	608,152	489,000
Net assets with donor restrictions in perpetuity	<u>109,924</u>	<u>109,424</u>
Total net assets with donor restrictions	<u>\$ 718,076</u>	<u>\$ 598,424</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 8 – NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Board-designated endowment funds	\$ 455,103	\$ 560,591
Board-designated - MCF	17,222	19,836
Undesignated	<u>541,531</u>	<u>490,338</u>
Net assets without donor restrictions	<u>\$ 1,013,856</u>	<u>\$ 1,070,765</u>

NOTE 9 – SPECIAL EVENTS

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

	<u>2022</u>	<u>2021</u>
Gross revenue	\$ 393,971	\$ 417,836
Cost of special events		
Bowlin' for Kids' Sake/The Hunt	18,007	21,904
Gala	80,722	83,981
Other	<u>30</u>	<u>-</u>
Cost of special events	<u>98,759</u>	<u>105,885</u>
Net income from special events	<u>\$ 295,212</u>	<u>\$ 311,951</u>

NOTE 10 – CONDITIONAL GRANTS

Big Brothers and Big Sisters of Dane County, Inc. has grants that are conditioned upon Big Brothers and Big Sisters of Dane County, Inc. incurring qualifying expenses under the grant programs. At December 31, 2022, these conditional grants total approximately \$685,000. These conditional grants will be recognized as revenue when the respective conditions are met in future years.

NOTE 11 – IN-KIND CONTRIBUTIONS

The value of donated materials and services included as contributions and special event revenue in the statement of activities and the corresponding expenses are as follows for December 31:

	<u>2022</u>				
	<u>Community</u>	<u>Back-to-School</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contract services	\$ -	\$ -	\$ 887	\$ 239	\$ 1,126
Food and supplies	7,905	4,545	-	1,983	14,433
Travel	-	-	-	734	734
Equipment and maintenance	8,750	-	-	1,339	10,089
Investment fees (netted with investment return)	<u>-</u>	<u>-</u>	<u>5,600</u>	<u>-</u>	<u>5,600</u>
Total	<u>\$ 16,655</u>	<u>\$ 4,545</u>	<u>\$ 6,487</u>	<u>\$ 4,295</u>	<u>\$ 31,982</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 – IN-KIND CONTRIBUTIONS (continued)

	2021				Total
	Community	Back-to-School	Management and General	Fundraising	
Contract services	\$ -	\$ -	\$ 1,050	\$ -	\$ 1,050
Food and supplies	11,917	13,738	-	8,086	33,741
Investment fees (netted with investment return)	-	-	6,000	-	6,000
Total	\$ 11,917	\$ 13,738	\$ 7,050	\$ 8,086	\$ 40,791

In-kind contributions did not have donor-imposed restrictions. Big Brothers and Big Sisters of Dane County, Inc. valued the in-kind contributions based on the estimated fair value provided by the donor.

NOTE 12 – LEASES

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 requires monthly payments of \$3,523 for January 2021 through December 2022. Big Brothers and Big Sisters of Dane County, Inc. renewed its office lease through December 31, 2023 for monthly payments of \$3,629. In 2021, Big Brothers and Big Sisters of Dane County, Inc. entered into a copier lease with GFC through March 2026. The copier lease requires monthly payments of \$159. The copier lease results in a right-of-use asset and corresponding lease liability in the statement of financial position at December 31, 2022, in accordance with the new lease guidance standard described in Note 1. Rental expense for the office lease in 2022 and 2021 was \$42,280. Future minimum lease payments for 2023, 2024, 2025, and 2026 are \$45,459, \$1,910, \$1,910, and \$478, respectively.

As of December 31, 2022, finance lease right-of-use assets include a copier lease of \$6,168 and accumulated amortization associated with the finance lease of \$1,897.

NOTE 13 – 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 \$12,346 and \$12,651 for 2022 and 2021.

NOTE 14 – FAIR VALUE MEASUREMENTS

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 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.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – FAIR VALUE MEASUREMENTS (continued)

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	
	2022	2021
Beginning balance	\$ 19,836	\$ 17,439
Change in value of beneficial interest included in change in net assets	(1,910)	3,063
Distribution	(704)	(666)
Ending balance	\$ 17,222	\$ 19,836

NOTE 15 – 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. is subject to Wisconsin’s Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in its donor restricted endowment funds as net assets with donor restrictions because those net assets are

time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net asset without donor restrictions. The board of directors of Big Brothers and Big Sisters of Dane County, Inc. has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor restricted endowment funds, Big Brothers and Big Sisters of Dane County, Inc. considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. Big Brothers and Big Sisters of Dane County, Inc. has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with UPMIFA, 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 Big Brothers and Big Sisters of Dane County, Inc., and (7) Big Brothers and Big Sisters of Dane County, Inc.’s investment policies.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 – ENDOWMENTS (continued)

Investment Return Objectives, Risk Parameters and Strategies. 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 the 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.

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2022 Total</u>
Donor-restricted endowment funds	\$ -	109,924	\$ 109,924
Board-designated endowment funds	455,103	-	455,103
Board-designated - MCF	17,222	-	17,222
Total	<u>\$ 472,325</u>	<u>\$ 109,924</u>	<u>\$ 582,249</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>
Donor-restricted endowment funds	\$ -	109,424	\$ 109,424
Board-designated endowment funds	560,591	-	560,591
Board-designated - MCF	19,836	-	19,836
Total	<u>\$ 580,427</u>	<u>\$ 109,424</u>	<u>\$ 689,851</u>

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 15 – ENDOWMENTS (continued)

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at December 31, 2020	\$ 495,760	\$ 108,424	\$ 604,184
Contributions	-	1,000	1,000
Investment return, net	8,976	-	8,976
Net appreciation	75,913	-	75,913
Appropriation for expenditures	<u>(222)</u>	<u>-</u>	<u>(222)</u>
Endowment net assets at December 31, 2021	580,427	109,424	689,851
Contributions	-	500	500
Investment return, net	11,457	-	11,457
Net depreciation	(119,010)	-	(119,010)
Appropriation for expenditures	<u>(549)</u>	<u>-</u>	<u>(549)</u>
Endowment net assets at December 31, 2022	<u>\$ 472,325</u>	<u>\$ 109,924</u>	<u>\$ 582,249</u>

Big Brothers and Big Sisters of Dane County, Inc. also established a fund at the Madison Community Foundation to invest certain endowment assets. The agreement between Big Brothers and Big Sisters of Dane County, Inc. and the Foundation states that the transfer of assets is irrevocable and that the transferred assets will not be returned to Big Brothers and Big Sisters of Dane County, Inc.. However, the Foundation will make annual distributions of the income earned on the fund subject to the Foundation's spending policy. The agreement also grants variance power to the Foundation, which permits the Foundation to substitute another beneficiary in place of Big Brothers and Big Sisters of Dane County, Inc. if Big Brothers and Big Sisters of Dane County, Inc. ceases to exist or if the Foundation's board of governors votes that support of Big Brothers and Big Sisters of Dane County, Inc. either is no longer necessary or is inconsistent with the needs of the community.

The Foundation's primary investment goal is to deliver long-term investment returns sufficient to cover both spending and inflation to preserve the purchasing power of the investment portfolio. The Foundation seeks to achieve this goal through cost-effective implementation at an appropriate level of risk, diversification of asset classes and strategies to provide consistent returns, capital preservation in down market cycles to provide stability in spending support, and long-term capital appreciation through the incorporation of risk-based assets, including nonmarketable, illiquid alternatives.

NOTE 16 – RELATED PARTY TRANSACTIONS

In 2022 and 2021, Big Brothers and Big Sisters of Dane County, Inc. received \$640 and \$2,426 in donated materials from several board members.

Big Brothers and Big Sisters of Dane County, Inc. worked with a marketing organization for various design services totaling \$6,470 for December 31, 2021 where a member of management has a family relationship with this organization.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
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NOTE 17 – FUTURE COMMITMENTS

Big Brothers and Big Sisters of Dane County, Inc. has a three year agreement through 2024 with a service organization for its 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 18 – LIQUIDITY AND AVAILABILITY

The following table reflects Big Brothers and Big Sisters of Dane County, Inc. financial assets as of December 31, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the date of the statements of financial position dates because of internal board designations or donor-imposed restrictions:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end	\$ 1,804,421	\$ 1,753,939
Less those unavailable for general expenditures within one year due to:		
Board designated endowment and MCF	(472,325)	(580,427)
Restricted by donor with purpose restrictions	(308,500)	(10,500)
Restricted by donor with time restrictions of more than one year	(53,902)	(105,000)
Restricted by donor for perpetuity	<u>(109,924)</u>	<u>(109,424)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 859,770</u>	<u>\$ 948,588</u>

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

As part of Big Brothers 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 liability, Big Brothers Big Sisters of Dane County, Inc. has a \$200,000 line of credit upon which it could draw upon as needed.

BIG BROTHERS AND BIG SISTERS OF DANE COUNTY, INC.
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NOTE 18 – LIQUIDITY AND AVAILABILITY (continued)

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 Big Sisters of Dane County, Inc. as well as provide scholarship funds to Littles while preserving the principal and financial power of the endowment. The endowment consists of:

1. Board-Designated funds. The endowment fund includes assets designed by the board to function as endowment funds. These funds resulted from past fundraising efforts which yielded funds above those needed to manage the 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.

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 stipulations unless expressly granted by the donor.