

Big Brothers Big Sisters of Colorado, Inc.

Financial Statements

September 30, 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Independent Auditor's Report

Board of Directors Big Brothers Big Sisters of Colorado, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Colorado, Inc. (BBBSC), which comprise the statement of financial position as of September 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Big Sisters of Colorado, Inc. as of September 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Kundinger, Corder & Engle, P.C.

January 28, 2021

Big Brothers Big Sisters of Colorado, Inc.
Statement of Financial Position
September 30, 2020

Assets

Cash and cash equivalents	\$ 1,508,204
Contributions and grants receivable (note 3)	465,421
Prepaid expenses and other assets	138,419
Investments (note 4)	2,816,374
Property and equipment, net (note 5)	69,713
Total assets	<u>\$ 4,998,131</u>

Liabilities and Net Assets

Accounts payable	\$ 28,694
Accrued payroll and other liabilities	148,244
Deferred rent	66,952
Paycheck Protection Program loan (note 11)	497,100
Total liabilities	<u>740,990</u>

Net assets (note 8)

Without donor restrictions	
Board designated endowment	201,877
Undesignated	1,394,609
With donor restrictions	<u>2,660,655</u>
Total net assets	4,257,141

Commitments (notes 6 and 7)

Total liabilities and net assets	<u>\$ 4,998,131</u>
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See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Activities
Year Ended September 30, 2020

	Without donor restrictions	With donor restrictions	Total
Operating revenue			
Contributions and grants			
Foundations, corporations and individuals	\$ 1,471,234	2,325,765	3,796,999
Government grants	450,878	–	450,878
National affiliate support	243,661	–	243,661
Special events	645,907	–	645,907
Less direct expenses	(156,585)	–	(156,585)
Donated goods and services	66,943	–	66,943
Other income	12,371	–	12,371
Net assets released from restrictions	982,704	(982,704)	–
Total operating revenue	<u>3,717,113</u>	<u>1,343,061</u>	<u>5,060,174</u>
Operating expenses			
Program services			
Youth mentoring	2,257,433	–	2,257,433
Total program services	<u>2,257,433</u>	<u>–</u>	<u>2,257,433</u>
Supporting services			
General and administrative	300,694	–	300,694
Fund raising	770,516	–	770,516
Total supporting services	<u>1,071,210</u>	<u>–</u>	<u>1,071,210</u>
Total operating expenses	<u>3,328,643</u>	<u>–</u>	<u>3,328,643</u>
Total operating net income	<u>388,470</u>	<u>1,343,061</u>	<u>1,731,531</u>
Non-operating revenue			
Investment return	28,669	91,597	120,266
Total non-operating revenue	<u>28,669</u>	<u>91,597</u>	<u>120,266</u>
Change in net assets	417,139	1,434,658	1,851,797
Net assets at beginning of year	<u>1,179,347</u>	<u>1,225,997</u>	<u>2,405,344</u>
Net assets at end of year	<u>\$ 1,596,486</u>	<u>2,660,655</u>	<u>4,257,141</u>

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

	Total program services	General and administrative	Fund raising	Total supporting services	Total
Salaries and related expenses	\$ 1,732,278	165,086	663,424	828,510	2,560,788
Occupancy	263,066	11,247	42,087	53,334	316,400
Office expenses	8,416	39,144	2,166	41,310	49,726
Program expenses	68,974	–	–	–	68,974
Employee travel	4,450	493	1,951	2,444	6,894
Professional fees	86,607	52,606	16,186	68,792	155,399
Recruiting	–	2,817	–	2,817	2,817
Marketing	–	18,963	–	18,963	18,963
Information technology	20,357	–	–	–	20,357
Staff development	6,651	2,105	5,574	7,679	14,330
Event expenses	–	–	169,393	169,393	169,393
In-kind goods and services	39,568	6,719	20,656	27,375	66,943
Depreciation	27,066	1,514	5,664	7,178	34,244
Total functional expenses	<u>2,257,433</u>	<u>300,694</u>	<u>927,101</u>	<u>1,227,795</u>	<u>3,485,228</u>
Less expenses included with revenue in the statement of activities					
Special events expense	–	–	(156,585)	(156,585)	(156,585)
Total expenses	<u>\$ 2,257,433</u>	<u>300,694</u>	<u>770,516</u>	<u>1,071,210</u>	<u>3,328,643</u>

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Cash Flows
Year Ended September 30, 2020

Cash flows from operating activities	
Change in net assets	\$ 1,851,797
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	34,244
Contributions restricted for endowment	(249,813)
Investment return on endowment assets	(118,833)
Change in operating assets and liabilities	
Contributions and grants receivable	52,867
Prepaid expenses and other assets	(1,267)
Accounts payable	(11,860)
Accrued liabilities	(21,496)
Net cash provided by operating activities	<u>1,535,639</u>
Cash flows from investing activities	
Purchases of property and equipment	(11,226)
Net purchases of investments	<u>(2,006,845)</u>
Net cash used in investing activities	<u>(2,018,071)</u>
Cash flows from financing activities	
Contributions restricted for endowment	249,813
Proceeds from Paycheck Protection Program loan	497,100
Investment return on endowment assets	118,833
Net cash provided by financing activities	<u>865,746</u>
Net increase in cash and cash equivalents	383,314
Cash and cash equivalents at beginning of year	<u>1,124,890</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,508,204</u></u>

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements
September 30, 2020

(1) Summary of Significant Accounting Policies

(a) Organization

Big Brothers Big Sisters of Colorado, Inc. (BBBSC) is a donor supported volunteer organization whose purpose is to help children reach their full potential through professionally supported one-to-one volunteer mentoring relationships with measurable impact. BBBSC's revenue and other support are derived principally from contributions and grants.

(b) Basis of Accounting

The accompanying financial statements of BBBSC have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(c) Financial Statement Presentation

BBBSC is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BBBSC. These net assets may be used at the discretion of the BBBSC's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of BBBSC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(d) Cash and Cash Equivalents

BBBSC considers all highly liquid investments with an original maturity of three months or less, and which are not held as part of the investment portfolio or restricted by donors for long-term purposes, to be cash equivalents.

(e) Concentrations of Credit Risk

Financial instruments which potentially subject BBBSC to concentrations of credit risk consist principally of cash and cash equivalents, investments, and contributions and grants receivable. BBBSC places its cash and cash equivalents with creditworthy, high quality financial institutions. At year-end, a portion of the BBBSC's cash is in excess of the amount insured by the FDIC. Though the market value of investments is subject to fluctuations on a year-to-year basis, management believes that the investment policy is prudent for the long-term welfare of BBBSC. Credit risk with respect to contributions receivable is considered by management to be limited because substantially all receivables are from foundations, government entities or individuals with a demonstrated history of payment.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(f) Revenue Recognition

Contributions and grants

Contributions and grants are recognized when cash, securities, unconditional promises to give, or notification of a beneficial interest are received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. Should BBBSC substantially meet all the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, BBBSC has elected to recognize the revenue in net assets without donor restrictions.

Contributions and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. All contributions receivable at September 30, 2020 are expected to be collected within one year. BBBSC uses the allowance method to determine uncollectible contributions receivable. The allowance is based on past collection experience and management's analysis of specific promises made. Uncollectible amounts are charged to the allowance in the year they are deemed uncollectible.

Special events revenue

Special events revenue is recognized during the period in which the event is held. Cash received but not yet earned is reported as deferred revenue.

(g) Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Fair value is determined as more fully described under note 1(h). Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable.

Investment return consists of BBBSC's distributive share of any interest, dividends and capital gains and losses generated from investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(h) Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Generally accepted accounting principles establish a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value, unless the investments are valued using the net asset value per share practical expedient. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not an indication of risk or liquidity. Investments in marketable equity and fixed income securities with readily determinable fair values are reported at fair value based on quoted prices in active markets.

(i) Property and Equipment

BBBSC capitalizes all expenditures for property and equipment in excess of \$2,000 and with an estimated useful life of one year or more. Property and equipment is stated at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to seven years.

(j) Donated Goods and Services

Donated goods and services are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. Contributed services are recognized as contributions if the services create or enhance nonfinancial assets and require specialized skills, are performed by people with those skills, and would be purchased by BBBSC. During fiscal year 2020, in-kind donations totaled \$66,943.

A number of volunteers have donated time in connection with BBBSC's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria for recognition under generally accepted accounting principles.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Functional Expenses

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statement of functional expenses. BBBSC incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. BBBSC also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fundraising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(l) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Income Taxes

BBBSC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. Income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. During fiscal year 2020, BBBSC did not incur any unrelated business income tax.

Management is required to evaluate tax positions taken by BBBSC and recognize a tax liability (or asset) if BBBSC has taken an uncertain position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements and determined there are none. BBBSC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(n) Subsequent Events

BBBSC has evaluated subsequent events through January 28, 2021, the date the financial statements were available to be issued. The COVID-19 outbreak has caused significant business disruption through mandated and voluntary closures of businesses in the United States. As a result of the pandemic, economic uncertainties have arisen which may negatively impact the level of governmental funding available to BBBSC in the future. BBBSC obtained a \$497,100 Paycheck Protection Program (PPP) loan under the CARES Act to supplement payroll and other allowable expenses. See note 11 for additional information.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(o) New Accounting Pronouncement

During 2020, BBBSC adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The provisions of ASU No. 2018-08 applicable to both contributions received and to contributions made have been implemented in the accompanying financial statements under a modified prospective basis. There was no effect on net assets in connection with the implementation of ASU No. 2018-08.

(2) Liquidity and Availability of Financial Assets

The following reflects BBBSC's financial assets as of September 30, 2020, that are available for expenditure for on-going programs and general operations within one year.

Financial assets at year-end	
Cash and cash equivalents	\$ 1,508,204
Contributions and grants receivable	465,421
Investments	<u>2,816,374</u>
Total financial assets at year-end	<u>4,789,999</u>
Less financial assets not available within the year ended September 30, 2021	
Restricted endowments held in perpetuity	(597,136)
Board designated endowment	<u>(201,877)</u>
Total amounts unavailable	<u>(799,013)</u>
Financial assets available for general expenditures within one year	\$ <u>3,990,986</u>

BBBSC receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the year ended September 30, 2020, restricted contributions of \$2,007,453 were included in financial assets available to meet cash needs for general expenditures within one year.

BBBSC's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Although BBBSC does not intend to spend from this board-designated endowment of \$201,877 these amounts could be made available if necessary. To help manage unanticipated liquidity needs, BBBSC has committed lines of credit in the amount of \$100,000, which it could draw upon (see note 6).

BBBSC manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. BBBSC has a policy to target a year-end balance of reserves without donor restriction and which are undesignated by the board to meet five months of expected expenditures.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(3) Contributions and Grants Receivable

Contributions and grants receivable are comprised of the following:

Federal, state and local grants receivable	\$ 147,521
Other contributions receivable	<u>337,900</u>
	485,421
Less allowance for doubtful accounts	<u>(20,000)</u>
Net contributions and grants receivable	\$ <u>465,421</u>

All contributions and grants receivable are scheduled to be collected in one year.

Government grants included in contribution and grant revenue are treated as contributions that are conditional upon specific performance requirements and the incurrence of allowable qualifying expenses. Consequently, at September 30, 2020, conditional contributions totaling \$359,974 related to these grants have not been recognized in the accompanying financial statements.

(4) Investments

The market value of BBBSC's investments consisted of the following at December 31, 2020:

Cash and cash equivalents	\$ 1,963,227
Mutual funds	
Government securities	78,096
Corporate bonds	50,051
Equities	591,450
Mutual funds/CEF/UIT	<u>133,550</u>
Total investments	\$ <u>2,816,374</u>

The following table summarizes the valuation of BBBSC's investments by the fair value hierarchy levels as of September 30, 2020:

	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Cash and cash equivalents	\$ 1,963,227	1,963,227	-	-
Government securities	78,096	-	78,096	-
Corporate bonds	50,051	50,051	-	-
Equities	591,450	591,450	-	-
Mutual funds/CEF/UIT	<u>133,550</u>	<u>133,550</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,816,374</u>	<u>2,738,278</u>	<u>78,096</u>	<u>-</u>

All assets have been valued using a market approach. Fair values of assets in Level 1 are based on quoted prices in active markets. Fair values of assets in Level 2 are based on quoted market prices for similar assets in markets that are not active.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(5) Property and Equipment

Property and equipment at September 30, 2020 consists of the following:

Computer equipment	\$ 159,791
Furniture and fixtures	110,603
Data infrastructure and software	60,784
Other equipment	<u>2,034</u>
	333,212
Less accumulated depreciation	<u>(263,499)</u>
	<u>\$ 69,713</u>

(6) Line of Credit

BBBSC has a \$100,000 revolving bank line of credit. No amounts were outstanding as of September 30, 2020. This line is collateralized by BBBSC's assets. The interest rate is 10% at September 30, 2020.

(7) Operating Leases

BBBSC has various operating leases for office equipment and office space that expire over the next four years. Future minimum lease payments under these non-cancellable operating leases as of September 30, 2020, are as follows:

2021	\$ 220,383
2022	223,171
2023	228,809
2024	<u>96,316</u>
Total future minimum lease payments	<u>\$ 768,679</u>

Rent expense totaled \$223,138 for the year ended September 30, 2020.

(8) Net Assets

Net assets without donor restrictions

BBBSC's board of directors established a board designated endowment fund as allowed by the Declaration of Trust. The balance of the board designated endowment fund totaled \$201,877 at September 30, 2020. Annual distributions from the board designated endowment fund are made at the discretion of the board, and no appropriations were made during the year.

Net assets with donor restrictions

Net assets subject to donor restrictions consist of the following at September 30, 2020:

Donor restricted endowments	\$ 897,460
Contributions received for program related expenditures	1,538,195
Restricted funds due to passage of time	<u>225,000</u>
Total net assets with donor restrictions	<u>\$ 2,660,655</u>

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(8) Net Assets, Continued

Net assets were released from restrictions during 2020, as a result of BBBSC satisfying the related restrictions:

Satisfaction of purpose restrictions	\$ 811,722
Satisfaction of time restrictions	<u>170,982</u>
Total net assets released from restrictions	\$ <u>982,704</u>

Endowment Funds

BBBSC's endowment net assets consist of the following at September 30, 2020:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total endowments</u>
Board designated endowments	\$ 201,877	–	201,877
Unappropriated earnings on perpetual endowments	–	300,324	300,324
Perpetual endowments	<u>–</u>	<u>597,136</u>	<u>597,136</u>
Total endowment net assets	\$ <u>201,877</u>	<u>897,460</u>	<u>1,099,337</u>

As required by generally accepted accounting principles, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

In 1997, the Ron Muns Endowment Fund was formed. The agreement stipulates that the fair value of the fund must reach \$200,000 before any funds can be distributed. BBBSC received notification from the donor that the board designated funds could be used to reach this goal. The fair value of the fund (including board designated funds) was \$427,533 at September 30, 2020. Annual limits on distributions are 80% of the fund's increase in value year over year, excluding principal contributed during the year. These distributions must be used to support activities of the Big Brothers Big Sisters program in El Paso County. During the year ended September, 30 2020, there were no distributions.

In 1988, the Dottie Roberts Endowment Fund was created for the charitable and educational purposes of BBBSC. Income generated on the fund is restricted for programmatic purposes.

In 2010, the Croze Scholarship Fund was formed. This scholarship fund was created to award an outstanding Little Brother and Little Sister of the year for either high school or college education. Such awards are made annually dependent upon net income available.

In 2020, the David R. Wortendyke Endowment Fund was formed. Annual limits on distributions are 80% of the fund's increase in value year over year, excluding principal contributed during the year. These distributions must be used to support activities of the Community Mentoring Program.

The Board of Directors of BBBSC has interpreted the State of Colorado Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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, BBBSC classifies as endowment net assets: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(8) Net Assets, Continued

In accordance with UPMIFA, BBBSC considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the 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 endowment resources.
- (7) The investment policies of BBBSC.

Following are the changes in the endowment net assets for the year ended September, 30, 2020:

	Without donor restrictions	With donor restrictions	Total endowments
Endowment net assets, September, 30 2019	\$ 174,641	556,050	730,691
Additions	—	249,813	249,813
Investment return	27,236	91,597	118,833
Appropriations	—	—	—
Endowment net assets, September 30, 2020	<u>\$ 201,877</u>	<u>897,460</u>	<u>1,099,337</u>

Return Objectives and Risk Parameters

BBBSC has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor restricted endowment funds BBBSC must hold in perpetuity or for donor specified periods, as well as those of board designated endowment funds. Under BBBSC's policies, endowment assets are invested in a manner that is intended to produce results that exceed an annual return of 2% over inflation, as measured by the Consumer Price Index (CPI), while assuming a low level of investment risk. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, BBBSC relies on a total return strategy in which investment returns are achieved through both current yield (dividend and interest) and capital appreciation (realized and unrealized). BBBSC targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Distribution Policy and How the Investment Objectives Relate to Distribution Policy

BBBSC does not typically take distributions. If such a need arises, the Board will approve as appropriate and needed.

(9) Related Party Transactions

BBBSC is affiliated with Big Brothers Big Sisters of America (BBBSA). Dues expensed to BBBSA for the year ended September 30, 2020 were \$31,447. BBBSC also recorded revenue from BBBSA of \$243,661 for the year ended September 30, 2020. As of year-end, \$72,795 is recorded as a receivable from BBBSA.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements

(10) Retirement Plan

All full time employees are eligible to participate in BBBSC's 401(k) retirement plan (the Plan) starting the first of the month following thirty days of employment. BBBSC does not match any contribution made by employees to the plan.

(11) Paycheck Protection Program Loan

In April 2020, BBBSC received a \$497,100 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, this loan may be partially or fully forgiven if certain eligibility requirements are met, including that 60% of the loan must be spent on payroll. The loan is being treated as a conditional contribution until such time that the loan has been explicitly forgiven by the SBA. Therefore, the proceeds have been recognized as a refundable advance at September 30, 2020. The proceeds will be recognized as contribution revenue when BBBSC is notified that the loan has been forgiven.

In the case that the loan is not forgiven, the loan is payable in equal amounts required to fully amortize the principal amount outstanding on the note by the maturity date of April 1, 2022. The loan is unsecured and interest is charged at 1.00% per annum.