

Big Brothers Big Sisters of Colorado, Inc.

Financial Statements

September 30, 2021

(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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2021, 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.

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

Report on Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Colorado, Inc.'s 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keundinger, Cochrane & Congle, P.C.

January 28, 2022

Big Brothers Big Sisters of Colorado, Inc.
Statement of Financial Position
September 30, 2021
(With Summarized Comparative Information as of September 30, 2020)

	2021	2020
Assets		
Cash and cash equivalents	\$ 1,246,548	1,508,204
Contributions and grants receivable, net (note 3)	393,126	465,421
Prepaid expenses and other assets	114,212	138,419
Investments (note 4)	2,941,747	2,816,374
Short-term investment	350,311	-
Property and equipment, net (note 5)	134,833	69,713
Total assets	\$ 5,180,777	4,998,131
Liabilities and Net Assets		
Accounts payable	\$ 96,444	28,694
Accrued payroll and other liabilities	116,001	148,244
Deferred rent	54,075	66,952
Paycheck Protection Program loan (note 11)	497,100	497,100
Total liabilities	763,620	740,990
Net assets (note 8)		
Without donor restrictions		
Board-designated endowment	220,440	201,877
Undesignated	3,145,019	1,394,609
With donor restrictions	1,051,698	2,660,655
Total net assets	4,417,157	4,257,141
Commitments (notes 6 and 7)		
Total liabilities and net assets	\$ 5,180,777	4,998,131

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Activities
Year Ended September 30, 2021
(With Summarized Comparative Information for the year ended September 30, 2020)

	Without donor restrictions	With donor restrictions	Totals	
			2021	2020
Operating revenue				
Contributions and grants				
Foundations, corporations and individuals	\$ 1,488,229	76,000	1,564,229	3,796,999
Government grants	1,317,545	–	1,317,545	694,539
Special events	768,887	–	768,887	645,907
Less cost of donor benefits	(145,963)	–	(145,963)	(156,585)
Donated goods, prizes, and rent	47,102	–	47,102	66,943
Other income	16,149	–	16,149	12,371
Net assets released from restrictions	1,752,445	(1,752,445)	–	–
Total operating revenue	<u>5,244,394</u>	<u>(1,676,445)</u>	<u>3,567,949</u>	<u>5,060,174</u>
Operating expenses				
Program services				
Youth mentoring	2,368,259	–	2,368,259	2,257,433
Total program services	<u>2,368,259</u>	<u>–</u>	<u>2,368,259</u>	<u>2,257,433</u>
Supporting services				
General and administrative	360,546	–	360,546	300,694
Fund raising	804,368	–	804,368	770,516
Total supporting services	<u>1,164,914</u>	<u>–</u>	<u>1,164,914</u>	<u>1,071,210</u>
Total operating expenses	<u>3,533,173</u>	<u>–</u>	<u>3,533,173</u>	<u>3,328,643</u>
Total operating net income	<u>1,711,221</u>	<u>(1,676,445)</u>	<u>34,776</u>	<u>1,731,531</u>
Non-operating revenue				
Investment return, net	57,752	67,488	125,240	120,266
Total non-operating revenue	<u>57,752</u>	<u>67,488</u>	<u>125,240</u>	<u>120,266</u>
Change in net assets	1,768,973	(1,608,957)	160,016	1,851,797
Net assets at beginning of year	<u>1,596,486</u>	<u>2,660,655</u>	<u>4,257,141</u>	<u>2,405,344</u>
Net assets at end of year	<u>\$ 3,365,459</u>	<u>1,051,698</u>	<u>4,417,157</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, 2021
(With Summarized Comparative Information for the year ended September 30, 2020)

	Program services	Supporting services			Totals	
	Youth mentoring	General and administrative	Fund raising	Total supporting services	2021	2020
Salaries and related expenses	\$ 1,802,879	170,108	595,504	765,612	2,568,491	2,560,788
Occupancy	255,335	22,528	33,958	56,486	311,821	316,400
Office expenses	9,771	46,754	1,991	48,745	58,516	49,726
Program expenses	65,090	—	—	—	65,090	68,974
Employee travel	2,557	961	277	1,238	3,795	6,894
Professional fees	106,620	70,567	13,099	83,666	190,286	155,399
Recruiting	17,500	24,352	17,500	41,852	59,352	2,817
Marketing	—	14,425	—	14,425	14,425	18,963
Information technology	25,024	—	—	—	25,024	20,357
Staff development	28,669	4,635	13,412	18,047	46,716	14,330
Special event expenses	—	—	260,658	260,658	260,658	169,393
In-kind goods and prizes	—	—	4,562	4,562	4,562	24,403
In-kind rent	33,122	3,756	5,662	9,418	42,540	42,540
Depreciation	21,692	2,460	3,708	6,168	27,860	34,244
	<u>2,368,259</u>	<u>360,546</u>	<u>950,331</u>	<u>1,310,877</u>	<u>3,679,136</u>	<u>3,485,228</u>
Less expenses included with revenue in the statement of activities						
Cost of direct benefits to donors	—	—	(145,963)	(145,963)	(145,963)	(156,585)
Total expenses	<u>\$ 2,368,259</u>	<u>360,546</u>	<u>804,368</u>	<u>1,164,914</u>	<u>3,533,173</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, 2021
(With Summarized Comparative Information for the year ended September 30, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ 160,016	1,851,797
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	27,860	34,244
Realized and unrealized gain on investments	(109,242)	–
Paycheck Protection Program loan forgiveness	(497,100)	–
Loss on disposal of fixed assets	1,337	–
Contributions restricted for endowment	–	(249,813)
Investment return on endowment assets	(20,845)	(118,833)
Change in operating assets and liabilities		
Contributions and grants receivable	72,295	52,867
Prepaid expenses and other assets	24,207	(1,267)
Accounts payable	67,750	(11,860)
Accrued payroll and other liabilities	(32,243)	(12,079)
Deferred rent	(12,877)	(9,417)
Net cash (used in) provided by operating activities	<u>(318,842)</u>	<u>1,535,639</u>
Cash flows from investing activities		
Purchases of property and equipment	(94,317)	(11,226)
Purchase of short-term investment	(350,311)	–
Net purchases of investments	<u>(16,131)</u>	<u>(2,006,845)</u>
Net cash used in investing activities	<u>(460,759)</u>	<u>(2,018,071)</u>
Cash flows from financing activities		
Proceeds from Paycheck Protection Program loan	497,100	497,100
Contributions restricted for endowment	–	249,813
Investment return on endowment assets	20,845	118,833
Net cash provided by financing activities	<u>517,945</u>	<u>865,746</u>
Net change in cash and cash equivalents	<u>(261,656)</u>	<u>383,314</u>
Cash and cash equivalents at beginning of year	<u>1,508,204</u>	<u>1,124,890</u>
Cash and cash equivalents at end of year	<u>\$ 1,246,548</u>	<u>1,508,204</u>

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements
September 30, 2021

(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 in accordance with U.S. GAAP and 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 that 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, 2021 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 a refundable advance.

(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 statement 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) Short-Term Investment

BBBSC holds funds in a time-restricted deposit account that matures in December 2024 and earns interest at a fixed rate of 0.3 percent per year. No funds can be added to the account, and there are penalties for early withdrawals. Due to these terms, the deposit account is presented as a short-term investment and is valued at original cost, plus accrued interest, which approximates fair value.

(j) 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.

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

(1) Summary of Significant Accounting Policies, Continued

(k) Donated Goods, Services, and Rent

Donated goods, services, and rent 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.

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.

(l) 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 that 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.

(m) 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.

(n) 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 2021, 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.

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

(1) Summary of Significant Accounting Policies, Continued

(o) Subsequent Events

BBBSC has evaluated subsequent events through January 28, 2022, the date the financial statements were available to be issued. None were identified.

(p) Reclassifications

Certain comparative items have been reclassified to conform to the current-year presentation. These reclassifications had no effect on previously reported net assets or the change in net assets.

(2) Liquidity and Availability of Financial Assets

The following reflects BBBSC's financial assets as of September 30, 2021, that are available for expenditure for ongoing programs and general operations within one year.

Financial assets at year-end	
Cash and cash equivalents	\$ 1,246,548
Contributions and grants receivable	393,126
Investments	2,941,747
Short-term investment	<u>350,311</u>
Total financial assets at year-end	<u>4,931,732</u>
Less financial assets not available within the year ended September 30, 2022	
Short-term investment	(350,311)
Restricted endowments held in perpetuity	(602,442)
Board-designated endowment	<u>(220,440)</u>
Total amounts unavailable	<u>(1,173,193)</u>
Financial assets available for general expenditures within one year	\$ <u>3,758,539</u>

BBBSC receives significant contributions restricted by donors and considers contributions restricted for programs that 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, 2021, restricted contributions of \$449,256 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, except for the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. Although BBBSC does not intend to spend from the board-designated endowment of \$220,440, these funds could be made available if necessary.

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 that 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 consisted of the following at September 30, 2021:

Federal, state, and local grants receivable	\$ 201,598
Other contributions receivable	<u>211,528</u>
	413,126
Less allowance for doubtful accounts	<u>(20,000)</u>
Net contributions and grants receivable	\$ <u>393,126</u>

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

Conditional contributions and grants are not recognized until specific performance requirements and/or allowable qualifying expenses are incurred. At September 30, 2021, conditional contributions and grants totaling \$352,726 have not been recognized in the accompanying financial statements.

(4) Investments

The following table summarizes BBBSC's investments at fair value on a recurring basis, by level within the fair value hierarchy, as of September 30, 2021:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 131,588	131,588	-	-
Corporate bonds	1,622,181	1,622,181	-	-
Domestic equities	<u>1,187,978</u>	<u>1,187,978</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,941,747</u>	<u>2,941,747</u>	<u>-</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.

(5) Property and Equipment

Property and equipment as of September 30, 2021 consisted of the following:

Computer equipment	\$ 178,207
Furniture and fixtures	110,603
Data infrastructure and software	60,784
Other equipment	<u>2,034</u>
Total property and equipment	351,628
Less accumulated depreciation	<u>(216,795)</u>
Total property and equipment, net	\$ <u>134,833</u>

(6) Commitments

BBBSC signed an agreement for IT services in March 2020 that extends through February 2023. If BBBSC terminates the agreement prematurely, BBBSC will be required to pay the balance of the contract.

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

(7) Operating Leases

BBBSC has various operating leases for office equipment and office space that expire over the next five years. Future minimum lease payments under these non-cancellable operating leases as of September 30, 2021, are as follows:

2022	\$ 226,263
2023	231,901
2024	99,408
2025	3,092
2026	<u>1,804</u>
Total future minimum lease payments	\$ <u>562,468</u>

Rent expense totaled \$221,671 for the year ended September 30, 2021.

(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 \$220,440 as of September 30, 2021. 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 consisted of the following at September 30, 2021:

Donor-restricted endowments	\$ 964,948
Contributions received for program-related expenditures	<u>86,750</u>
Total net assets with donor restrictions	\$ <u>1,051,698</u>

Net assets were released from restrictions during 2021 as a result of BBBSC satisfying the related restrictions as follows:

Satisfaction of purpose restrictions	\$ 1,527,445
Satisfaction of time restrictions	<u>225,000</u>
Total net assets released from restrictions	\$ <u>1,752,445</u>

Endowment Funds

BBBSC's endowment net assets consist of the following at September 30, 2021:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	Total <u>endowments</u>
Board-designated endowments	\$ 220,440	-	220,440
Unappropriated earnings on perpetual endowments	-	362,506	362,506
Perpetual endowments	<u>-</u>	<u>602,442</u>	<u>602,442</u>
Total endowment net assets	\$ <u>220,440</u>	<u>964,948</u>	<u>1,185,388</u>

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

(8) Net Assets, Continued

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 was \$246,406 at September 30, 2021. Annual limits on distributions are 80 percent 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, 2021, 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 percent 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.

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.

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

(8) Net Assets, Continued

Following are the changes in the endowment net assets for the year ended September 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total endowments</u>
Endowment net assets, September 30, 2020	\$ 201,877	897,460	1,099,337
Additions	-	-	-
Investment return	18,563	67,488	86,051
Appropriations	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, September 30, 2021	\$ <u>220,440</u>	<u>964,948</u>	<u>1,185,388</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 percent 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, 2021 were \$29,747. BBBSC also recorded revenue from BBBSA of \$296,422 for the year ended September 30, 2021. As of year-end, \$150,041 is recorded as a receivable from BBBSA.

(10) Retirement Plan

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

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

(11) Paycheck Protection Program Loan

In April 2020, BBBSC received an initial \$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 percent 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. During the year ended September 30, 2021, the first PPP loan was forgiven and recognized as a government grant.

In February 2021, BBBSC received a second PPP loan in the amount of \$497,100. The proceeds have been recognized as a refundable advance at September 30, 2021. The loan will be recognized as a government grant when BBBSC is notified that the loan has been forgiven, which occurred on December 28, 2021.