



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Big Brothers Big Sisters of Colorado, Inc. which comprise the statement of financial position as of September 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Big Brothers Big Sisters of Colorado, Inc. as of September 30, 2023, 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 (GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the Big Brothers Big Sisters of Colorado, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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, which raise substantial doubt about the Big Brothers Big Sisters of Colorado, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Big Brothers Big Sisters of Colorado, 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, which raise substantial doubt about the Big Brothers Big Sisters of Colorado, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2024 on our consideration of the Big Brothers Big Sisters of Colorado, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Big Brothers Big Sisters of Colorado, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Big Brothers Big Sisters of Colorado, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Big Brothers Big Sisters of Colorado, Inc.'s 2022 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated January 18, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kundinger, Corder & Montoya, P.C.

January 24, 2024

Big Brothers Big Sisters of Colorado, Inc.
Statement of Financial Position
September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Assets		
Cash and cash equivalents	\$ 1,238,306	853,187
Contributions and grants receivable, net (note 3)	401,324	552,639
Prepaid expenses and other assets	100,063	120,704
Short-term investment	352,422	351,369
Investments (note 4)	5,568,205	6,018,042
Property and equipment, net (note 5)	54,746	82,312
Total assets	\$ 7,715,066	7,978,253
Liabilities and Net Assets		
Accounts payable	\$ 40,769	85,240
Accrued payroll and other liabilities	148,759	186,168
Deferred rent	11,105	35,408
Refundable advance (note 1(g))	34,373	67,993
Total liabilities	235,006	374,809
Net assets (note 8)		
Without donor restrictions		
Board-designated endowment	199,221	187,989
Undesignated	6,272,404	6,314,400
	6,471,625	6,502,389
With donor restrictions		
	1,008,435	1,101,055
Total net assets	7,480,060	7,603,444
Commitments (notes 6, 7 and 10)		
Total liabilities and net assets	\$ 7,715,066	7,978,253

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Activities
Year Ended September 30, 2023
(With Comparative Totals for the Year Ended September 30, 2022)

	Without donor restrictions	With donor restrictions	Totals	
			2023	2022
Operating revenue				
Contributions and grants				
Foundations, corporations and individuals \$	1,802,905	247,750	2,050,655	5,735,769
Government grants	1,435,824	–	1,435,824	1,218,645
Special events	973,808	–	973,808	570,980
Less cost of donor benefits	(258,950)	–	(258,950)	(155,772)
In-kind donations	49,474	–	49,474	48,814
Other income	31,750	–	31,750	3,517
Net assets released from restrictions	389,536	(389,536)	–	–
Total operating revenue	<u>4,424,347</u>	<u>(141,786)</u>	<u>4,282,561</u>	<u>7,421,953</u>
Operating expenses				
Program services				
Youth mentoring	2,973,014	–	2,973,014	2,326,491
Total program services	<u>2,973,014</u>	<u>–</u>	<u>2,973,014</u>	<u>2,326,491</u>
Supporting services				
General and administrative	843,275	–	843,275	828,955
Fund raising	954,557	–	954,557	709,387
Total supporting services	<u>1,797,832</u>	<u>–</u>	<u>1,797,832</u>	<u>1,538,342</u>
Total operating expenses	<u>4,770,846</u>	<u>–</u>	<u>4,770,846</u>	<u>3,864,833</u>
Total operating net (loss) income	<u>(346,499)</u>	<u>(141,786)</u>	<u>(488,285)</u>	<u>3,557,120</u>
Non-operating revenue				
Investment return, net	315,735	49,166	364,901	(428,871)
Net assets acquired				
from Friends First	–	–	–	58,038
Total non-operating revenue	<u>315,735</u>	<u>49,166</u>	<u>364,901</u>	<u>(370,833)</u>
Change in net assets	<u>(30,764)</u>	<u>(92,620)</u>	<u>(123,384)</u>	<u>3,186,287</u>
Net assets at beginning of year	<u>6,502,389</u>	<u>1,101,055</u>	<u>7,603,444</u>	<u>4,417,157</u>
Net assets at end of year	<u>\$ 6,471,625</u>	<u>1,008,435</u>	<u>7,480,060</u>	<u>7,603,444</u>

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.

Statement of Functional Expenses

Year Ended September 30, 2023

(With Comparative Totals for the Year Ended September 30, 2022)

	Program services		Supporting services			Totals	
	Youth mentoring	General and administrative	Fund raising	Total supporting services	2023	2022	
Salaries and related expenses	\$ 1,959,717	591,736	796,637	1,388,373	3,348,090	2,766,294	
Occupancy	250,712	28,623	44,390	73,013	323,725	311,000	
Office expenses	13,221	55,448	2,638	58,086	71,307	72,183	
Program expenses	451,539	-	-	-	451,539	126,283	
Employee travel	54,905	7,150	7,397	14,547	69,452	25,993	
Professional fees	113,467	83,649	15,901	99,550	213,017	161,834	
Recruiting	-	9,116	-	9,116	9,116	10,236	
Marketing	-	38,852	-	38,852	38,852	12,712	
Information technology	10,398	-	-	-	10,398	11,157	
Staff development	46,896	8,457	28,466	36,923	83,819	58,036	
Special event expenses	-	-	300,728	300,728	300,728	253,066	
Grant expense	-	-	-	-	-	90,000	
Miscellaneous	-	9,056	-	9,056	9,056	20,476	
In-kind rent	35,453	5,497	8,524	14,021	49,474	48,814	
Depreciation	36,706	5,691	8,826	14,517	51,223	52,521	
	2,973,014	843,275	1,213,507	2,056,782	5,029,796	4,020,605	
Less expenses included with revenue in the statement of activities							
Cost of direct benefits to donors	\$ -	-	(258,950)	(258,950)	(258,950)	(155,772)	
Total expenses	\$ 2,973,014	843,275	954,557	1,797,832	4,770,846	3,864,833	

Less expenses included with revenue in the statement of activities

Cost of direct benefits to donors

Total expenses

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Statement of Cash Flows
Year Ended September 30, 2023
(With Comparative Totals for the Year Ended September 30, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (123,384)	3,186,287
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	51,223	52,521
Realized and unrealized (gain) loss on investments	(140,038)	495,262
Paycheck Protection Program loan forgiveness	-	(497,100)
Non-cash assets acquired	-	(38,288)
Investment return on endowment assets	(40,430)	(33,117)
Change in operating assets and liabilities		
Contributions and grants receivable	151,315	(61,255)
Prepaid expenses and other assets	20,641	(6,492)
Accounts payable	(44,471)	(71,174)
Accrued payroll and other liabilities	(37,409)	70,167
Deferred rent	(24,303)	(18,667)
Refundable advance	(33,620)	67,993
Net cash provided by (used in) operating activities	(220,476)	3,146,137
Cash flows from investing activities		
Purchases of property and equipment	(23,657)	-
Purchase of short-term investment	(1,053)	(1,058)
Net sales (purchases) of investments	589,875	(3,571,557)
Net cash provided by (used in) investing activities	565,165	(3,572,615)
Cash flows from financing activities		
Investment return on endowment assets	40,430	33,117
Net cash provided by financing activities	40,430	33,117
Net increase (decrease) in cash and cash equivalents	385,119	(393,361)
Cash and cash equivalents at beginning of year	853,187	1,246,548
Cash and cash equivalents at end of year	\$ 1,238,306	853,187
Supplemental information		
Assets acquired from Friends First	\$ -	118,008
Liabilities assumed from Friends First	\$ -	(59,970)

See the accompanying notes to the financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Notes to Financial Statements
September 30, 2023

(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 generally accepted accounting principles (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) Measure of Operations

The statement of activities reports all changes in net assets, including changes resulting from both operating and non-operating activities. Operating activities consist of those items attributable to BBBSC's ongoing program activities and contributions and grants. Non-operating activities are limited to activities to be of a more unusual or nonrecurring nature, and mainly consist of net investment return.

(e) 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.

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

(1) Summary of Significant Accounting Policies, Continued

(f) 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.

(g) 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. Payments received in advance of the conditions being met are recorded as a refundable advance.

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, 2023 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. Refundable advances total \$34,373 as of September 30, 2023.

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

(1) Summary of Significant Accounting Policies, Continued

(h) 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(i). 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.

(i) 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. GAAP establishes 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.

(j) 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 3% 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.

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

(1) Summary of Significant Accounting Policies, Continued

(k) 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 are 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.

(l) In-kind Contributions

In-kind contributions are recorded as contributions and corresponding expenses at their estimated fair values at the date of donation. The fair value of donated use of facilities is estimated using the price per square foot of similar office space in the area, and the expense is allocated among program and supporting services based on estimated usage of footage occupied. In-kind rent totaled \$49,474 for the year ended September 30, 2023. Contributed auction items are valued at the gross selling price received, and the proceeds are included in special event revenue. 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.

(m) 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.

(n) Estimates

The preparation of financial statements in conformity with GAAP 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.

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

(1) Summary of Significant Accounting Policies, Continued

(o) 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 2023, 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.

(p) Subsequent Events

BBBSC has evaluated subsequent events through January 24, 2024, the date the financial statements were available to be issued.

(q) Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with BBBSC's financial statements for the year ended September 30, 2022, from which the summarized information was derived.

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

(2) Liquidity and Availability of Financial Assets

The following reflects BBBSC's financial assets as of September 30, 2023, that are available for expenditure for ongoing programs and general operations within one year.

Financial assets at year-end	
Cash and cash equivalents	\$ 1,238,306
Contributions and grants receivable	401,324
Short-term investment	352,422
Investments	<u>5,568,205</u>
Total financial assets at year-end	7,560,257
Less financial assets not available within the year ended September 30, 2024	
Restricted endowments held in perpetuity	(592,778)
Board-designated endowment	<u>(199,221)</u>
Total amounts unavailable	<u>(791,999)</u>
Financial assets available for general expenditures within one year	\$ <u>6,768,258</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, 2023, restricted contributions of \$156,369 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 \$199,221, 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.

(3) Contributions and Grants Receivable

Contributions and grants receivable consisted of the following at September 30, 2023:

Federal, state, and local grants receivable	\$ 252,794
Contributions receivable	<u>168,530</u>
	421,324
Less allowance for doubtful accounts	<u>(20,000)</u>
Net contributions and grants receivable	\$ <u>401,324</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, 2023, conditional contributions and grants totaling \$361,234 have not been recognized in the accompanying financial statements.

Big Brothers Big Sisters of Colorado, Inc.
Notes to 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, 2023:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and cash equivalents	\$ 3,137,872	3,137,872	-	-
Mutual funds				
Corporate bonds	1,445,262	1,445,262	-	-
Equities	<u>985,071</u>	<u>985,071</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 5,568,205</u>	<u>5,568,205</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 consisted of the following as of September 30, 2023:

Computer equipment	\$ 188,742
Furniture and fixtures	110,934
Data infrastructure and software	77,798
Other equipment	2,034
Copyrights, trademarks and patents	<u>895</u>
Total property and equipment	380,403
Less accumulated depreciation	<u>(325,657)</u>
Total property and equipment, net	<u>\$ 54,746</u>

(6) Commitments

BBBSC signed an agreement for IT services in March 2023 that extends through February 2028. If BBBSC terminates the agreement prematurely, BBBSC will be required to pay the balance of the contract.

(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, 2023, are as follows:

2024	\$ 99,408
2025	3,092
2026	<u>1,804</u>
Total future minimum lease payments	<u>\$ 104,304</u>

Rent expense totaled \$232,363 for the year ended September 30, 2023.

Effective November 2023, BBBSC entered into a 10-year lease agreement for new office space. The lease will commence on July 1, 2024.

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

(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 \$199,221 as of September 30, 2023. 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, 2023:

Donor-restricted endowments	\$ 852,066
Contributions receivable restricted by time or purpose	79,500
Contributions received for program-related expenditures	<u>76,869</u>
Total net assets with donor restrictions	<u>\$ 1,008,435</u>

Net assets were released from restrictions during 2023 as a result of BBBSC satisfying the related restrictions as follows:

Satisfaction of purpose restrictions	\$ 284,955
Satisfaction of time restrictions	<u>104,581</u>
Total net assets released from restrictions	<u>\$ 389,536</u>

Endowment Funds

BBBSC's endowment net assets consist of the following at September 30, 2023:

	Without donor restrictions	With donor restrictions	Total endowments
Board-designated endowments	\$ 199,221	-	199,221
Unappropriated earnings on perpetual endowments	-	259,288	259,288
Perpetual endowments	<u>-</u>	<u>592,778</u>	<u>592,778</u>
Total endowment net assets	<u>\$ 199,221</u>	<u>852,066</u>	<u>1,051,287</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 (excluding board-designated funds) was \$222,688 at September 30, 2023. 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, 2023, 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. During the year ended September 30, 2023, there were no distributions.

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. During the year ended September 30, 2023, there were distributions totaling \$20,000 for scholarships.

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. During the year ended September 30, 2023, there were no distributions.

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, 2023:

	Without donor <u>restrictions</u>	With donor <u>restrictions</u>	Total <u>endowments</u>
Endowment net assets, September 30, 2022	\$ 187,989	822,900	1,010,889
Investment return	11,232	49,166	60,398
Appropriations	<u>—</u>	<u>(20,000)</u>	<u>(20,000)</u>
Endowment net assets, September 30, 2023	<u>\$ 199,221</u>	<u>852,066</u>	<u>1,051,287</u>

Funds with Deficiency

From time to time, the fair values associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires BBBSC to retain as a fund in perpetual duration. A deficiency of this nature exists at September 30, 2023, as the Wortendyke Endowment Fund has an original gift value of \$249,813 with a fair value of \$246,049. The deficiencies resulted from unfavorable market fluctuations. At September 30, 2023, the amount by which this fund is underwater totals (\$3,764).

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, 2023 were \$39,673. BBBSC also recorded revenue from BBBSA of \$264,715 for the year ended September 30, 2023. As of year-end, \$137,767 is recorded in receivables 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 starting the first of the month following thirty days of employment. BBBSC provides for safe harbor matching contributions with a 100% match on employee contributions up to 3% of eligible compensation, plus a 50% match on employee contributions above 3% and up to 5% of eligible compensation. Employer safe harbor matching contributions totaled \$66,184 for the year ended September 30, 2023. BBBSC may also make discretionary matching contributions to the Plan. No employer matching contributions were made for the year ended September 30, 2023.

Big Brothers Big Sisters of Colorado, Inc.
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2023

Federal grantor/pass-through grantor/program title	Pass-through Entity Identifying Number	Grant award year	Assistance listing number	Federal expenditures	Passed through to subrecipients
U.S. Department of Justice					
<i>Direct grant, Office of Juvenile Justice Delinquency Provision</i>					
Juvenile Mentoring Program	N/A	10/1/22-12/31/23	16.726	\$ 719,985	127,994
Pass-through Programs from Big Brothers Big Sisters of America					
Juvenile Mentoring Program, FY 2022	15PJDP-22-GG-01749-MENT	2/1/23-1/31/24	16.726	194,217	-
Juvenile Mentoring Program, Mentoring Opportunities for Youth Initiative	15PJDP-21-GG-02765-MENT	3/1/22-2/28/23	16.726	70,389	-
Total Pass-through Programs				<u>264,606</u>	<u>-</u>
Total U.S. Department of Justice				<u>984,591</u>	<u>127,994</u>
Total Expenditures of Federal Awards				<u>\$ 984,591</u>	<u>127,994</u>

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Big Brother Big Sisters of Colorado, Inc. (BBBSC) under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of BBBSC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BBBSC.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

BBBSC has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.