

*FINANCIAL REPORT*

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

(Formerly Big Brothers and Big Brothers of St. Joseph County, Inc.)

December 31, 2019 and 2018

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# CULLAR & ASSOCIATES, PC

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Big Brothers Big Sisters Southern Lake Michigan Region, Inc.  
South Bend, Indiana

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

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters Southern Lake Michigan Region, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Cullar & Associates, P.C.*

South Bend, Indiana  
June 22, 2020

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

## STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

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	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 194,131	\$ 366,111
Promises to give	-	4,694
Prepaid expenses	2,362	3,911
Property and equipment	<u>5,893</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 202,386</u>	<u>\$ 374,716</u>
 <b>Liabilities and Net Assets:</b>		
Liabilities:		
Accounts payable and accrued liabilities	<u>\$ 2,496</u>	<u>\$ 1,736</u>
 Net Assets:		
Without donor restrictions:		
Undesignated	192,379	316,169
Invested in property and equipment	<u>5,893</u>	<u>-</u>
	<u>198,272</u>	<u>316,169</u>
 With donor restrictions:		
Time-restricted for future periods	-	4,694
Purpose restricted	<u>1,618</u>	<u>52,117</u>
	<u>1,618</u>	<u>56,811</u>
<i>Total net assets</i>	<u>199,890</u>	<u>372,980</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 202,386</u>	 <u>\$ 374,716</u>

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The accompanying notes are an integral part of these financial statements.

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support, Revenues, and Gains:</b>						
Special events	\$ 178,124	\$ -	\$ 178,124	\$ 350,608	\$ -	\$ 350,608
Grants	5,745	5,000	10,745	11,283	50,000	61,283
Contributions	26,722	-	26,722	25,463	-	25,463
Contributed printing and professional services	3,488	-	3,488	-	-	-
United Way of St. Joseph County	-	-	-	-	9,388	9,388
Interest income	780	-	780	284	-	284
Net assets released from restrictions	60,193	(60,193)	-	9,694	(9,694)	-
<i>Total support, revenues, and gains</i>	<u>275,052</u>	<u>(55,193)</u>	<u>219,859</u>	<u>397,332</u>	<u>49,694</u>	<u>447,026</u>
<b>Expenses:</b>						
Program services expenses:						
Big Brothers Big Sisters programs	210,162	-	210,162	193,305	-	193,305
Supporting services expenses:						
Management and general	36,343	-	36,343	31,333	-	31,333
Fundraising	146,444	-	146,444	103,230	-	103,230
<i>Total supporting services expenses</i>	<u>182,787</u>	<u>-</u>	<u>182,787</u>	<u>134,563</u>	<u>-</u>	<u>134,563</u>
<i>Total expenses</i>	<u>392,949</u>	<u>-</u>	<u>392,949</u>	<u>327,868</u>	<u>-</u>	<u>327,868</u>
<b>Change in net assets</b>	(117,897)	(55,193)	(173,090)	69,464	49,694	119,158
Net assets, beginning of year	316,169	56,811	372,980	246,705	7,117	253,822
<i>Net assets, end of year</i>	<u>\$ 198,272</u>	<u>\$ 1,618</u>	<u>\$ 199,890</u>	<u>\$ 316,169</u>	<u>\$ 56,811</u>	<u>\$ 372,980</u>

The accompanying notes are an integral part of these financial statements.

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Years Ended December 31, 2019 and 2018

	2019				2018			
	Big Brothers Big Sisters Programs	Management and General	Fundraising	Totals	Big Brothers Big Sisters Programs	Management and General	Fundraising	Totals
Personnel:								
Salaries and wages	\$ 129,219	\$ 20,051	\$ 73,521	\$ 222,791	\$ 126,143	\$ 16,453	\$ 40,219	\$ 182,815
Other benefits	4,121	639	2,345	7,105	1,166	152	372	1,690
Payroll taxes	<u>9,829</u>	<u>1,525</u>	<u>5,593</u>	<u>16,947</u>	<u>9,953</u>	<u>1,298</u>	<u>3,173</u>	<u>14,424</u>
<i>Total personnel</i>	143,169	22,215	81,459	246,843	137,262	17,903	43,764	198,929
Occupancy	10,048	1,559	5,717	17,324	12,026	1,569	3,834	17,429
Repairs and maintenance	1,488	231	847	2,566	980	128	312	1,420
Professional fees	14,843	8,829	-	23,672	12,637	9,064	-	21,701
Supplies	3,916	637	-	4,553	4,273	639	-	4,912
Communications	2,517	391	1,432	4,340	2,532	330	807	3,669
Postage	2,334	380	-	2,714	853	127	-	980
Printing	3,116	507	-	3,623	926	138	-	1,064
Insurance	6,473	1,004	3,682	11,159	5,462	712	1,742	7,916
Public relations	3,411	-	-	3,411	1,818	-	-	1,818
Travel and conferences	7,022	-	-	7,022	3,573	-	-	3,573
Special events	-	-	53,028	53,028	-	-	52,771	52,771
Scholarships	500	-	-	500	-	-	-	-
Depreciation	490	76	279	845	-	-	-	-
Other	3,158	514	-	3,672	4,841	723	-	5,564
Dues to Big Brothers and Big Sisters of America	<u>7,677</u>	<u>-</u>	<u>-</u>	<u>7,677</u>	<u>6,122</u>	<u>-</u>	<u>-</u>	<u>6,122</u>
<i>Totals</i>	<u>\$ 210,162</u>	<u>\$ 36,343</u>	<u>\$ 146,444</u>	<u>\$ 392,949</u>	<u>\$ 193,305</u>	<u>\$ 31,333</u>	<u>\$ 103,230</u>	<u>\$ 327,868</u>

The accompanying notes are an integral part of these financial statements.

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.****STATEMENTS OF CASH FLOWS**

Years Ended December 31, 2019 and 2018

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<b>Change in Cash and Cash Equivalents:</b>	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from special events	\$ 178,124	\$ 350,608
Cash received from contributors and grantors	42,161	96,440
Cash paid to employees, vendors, and others	(386,307)	(334,347)
Interest income received	<u>780</u>	<u>284</u>
<i>Net cash provided by (used in) by operating activities</i>	<u>(165,242)</u>	<u>112,985</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	<u>(6,738)</u>	<u>-</u>
<b>Net change in cash and cash equivalents</b>	(171,980)	112,985
Cash and cash equivalents, beginning of year	<u>366,111</u>	<u>253,126</u>
<i>Cash and cash equivalents, end of year</i>	<u>\$ 194,131</u>	<u>\$ 366,111</u>
<b>Reconciliation of Change in Net Assets to Net Cash Provided By (Used In) by Operating Activities:</b>		
Change in net assets	\$ (173,090)	\$ 119,158
Add (deduct) items not requiring (providing) cash:		
Depreciation	845	-
Decrease in promises to give	4,694	306
(Increase) decrease in prepaid expenses	1,549	(2,699)
Increase (decrease) in accounts payable and accrued liabilities	<u>760</u>	<u>(3,780)</u>
<i>Net cash provided by (used in) operating activities</i>	<u>\$ (165,242)</u>	<u>\$ 112,985</u>

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The accompanying notes are an integral part of these financial statements.

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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**NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Big Brothers Big Sisters Southern Lake Michigan Region, Inc., formerly Big Brothers and Big Sisters of St. Joseph County, Inc., (the Organization, we, us, our) is an Indiana nonprofit corporation that administers a program providing youths with adult guidance through a one-to-one (youth-to-adult volunteer) relationship. We operate mainly in St Joseph County, Indiana and lower West Michigan. We have also acquired the rights to operate in LaPorte County Indiana. Our operations are supported primarily by special events and contributions and grants from the public.

Significant Accounting Policies:

*Use of Estimates:*

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. A significant estimate used in the accompanying financial statements is the allocation of expenses among program and supporting services.

*Net Asset Classes:*

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity, although we do not currently have such net assets. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

*Cash and Cash Equivalents:*

We consider highly liquid financial instruments with original maturities of three months or less and that are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

*Promises to Give:*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in



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**NOTES TO FINANCIAL STATEMENTS**

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pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

*Property and Equipment:*

Property and equipment is stated at cost, if acquired, or at fair market value at the date of receipt, if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, generally from three to seven years for furniture and equipment.

*Revenue and Revenue Recognition:*

As discussed later in this note, effective January 1, 2019, we adopted new revenue recognition guidance using the modified retrospective transition method, applying the guidance to contracts with customers that were not substantially complete at that date.

*Special events-*

Sponsorships for special events are treated as contributions and recognized when promised. Sponsorships received in advance of sponsored events are reported as net assets with donor restrictions until the events occur. Other revenues from special events that are exchange transactions, such as ticket sales, are recognized at a point in time when the event occurs.

*Grants and contributions-*

Grants under cost-reimbursable contracts are recognized as revenue when allowable expenditures are incurred. Amounts received in advance of incurring allowable costs are reported as refundable grant advances in the statement of financial position. Other types of grants and contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. We consider all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Grants and contributions expected to be collected within one year are recorded at net realizable value. Grants and contributions that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in revenues. Conditional promises to give are not recognized as revenues until the conditions are substantially met.

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Our policy is to sell donated securities as soon as practical after receipt. Contributions of property and equipment are recorded at fair value at the date of contribution, and are reported as increases in net

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as net assets with donor restrictions. Absent donor stipulations regarding how long such donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with donor restrictions to net assets without donor restrictions at that time.

Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. A substantial number of unpaid volunteers make significant contributions of their time to us that do not meet the requirements to be recognized in the financial statements.

*Functional Allocation of Expenses:*

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, office expenses, communications, insurance, and others which are allocated on the basis of estimates of time and effort, space used, or other factors driving expenses.

*Income Taxes:*

We are exempt from income tax under Internal Revenue Code Section 501(c)(3) and a similar section of the Indiana Code, except for tax on unrelated businesses income. Consequently, the accompanying financial statements generally do not include any provision for income taxes. The Internal Revenue Service classifies us as other than a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to the potential sources of unrelated business taxable income. We have not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at December 31, 2019 or 2018, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2016.

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2019 and 2018

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*Financial Instruments and Credit Risk:*

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from individuals, and others supportive of our mission.

*Recent Accounting Pronouncements and Accounting Changes:*

Effective January 1, 2019, we adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded most revenue recognition guidance as well as certain cost recognition guidance. That update, together with other clarifying updates, requires that the recognition of revenue for the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The update also requires additional qualitative and quantitative disclosures about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and information about contract balances and performance obligations.

We adopted the new revenue recognition guidance using the modified retrospective method for contracts not substantially complete at January 1, 2019. However, we determined that there was no material difference between revenue previously reported from such contracts and revenue determined under the new guidance, and so no cumulative adjustment has been made to retained earnings at January 1, 2019. The effect on the 2019 financial statements of adopting the new guidance was not material.

*Subsequent Events Information:*

The date through which events occurring subsequent to December 31, 2019 have been evaluated for possible adjustment to the financial statements or disclosure is June 22, 2020, the date on which the financial statements were available to be issued.

As discussed further in Note 9, effective January 1, 2020 we acquired the assets and assumed the liabilities of Lower West Michigan Big Brothers Big Sisters, Inc. and changed our name to Big Brothers Big Sisters Southern Lake Michigan Region, Inc. to reflect our expanded service area.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 23, 2020 the governor of Indiana declared a health emergency and issued an executive order that closed all nonessential businesses, ordered residents to stay-at-home, and placed restrictions on public gatherings until further notice. We have reduced the scope of our operations and where possible, certain employees are telecommuting from their homes.

The pandemic has negatively and will continue to negatively impact the results of our activities, cash flows, and financial position. In March 2020, we cancelled a large special

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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event and have cancelled all other events through April 2020. The full scope of the related impact cannot be reasonably estimated at this time

In April 2020, the U.S. Congress passed, and the President of the United States signed, the Coronavirus Aid, Relief and Economic Security (CARES) Act, which includes the Paycheck Protection Program (PPP). PPP is a loan program through U.S. Small Business Administration and its participating banks in which loans can be forgiven for expenditures of loan proceeds incurred in the eight weeks following the origination date of the loan for rent, certain payroll costs, mortgage interest, and utilities. The amount forgiven is reduced proportionally by any reduction in employees retained or in payroll reduced. In April 2020 we were approved for a \$46,200 PPP loan, which was disbursed to us in April and May, 2020. The loan has no collateral or guarantees and is subject to an interest rate of 1%, with payments of principal and interest beginning in October 2020. The loan is due in full in April 2022.

**NOTE 2. LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2019 are as follows:

Cash and cash equivalents	<u>\$ 192,513</u>
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As part of our liquidity management plan, we invest cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds.

**NOTE 3. PROMISES TO GIVE**

Promises to give at December 31, 2018 consisted of unconditional promises to give from United Way of St. Joseph County, which was collected in 2019.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 39,837	\$ 33,099
Less accumulated depreciation	<u>(33,944)</u>	<u>(33,099)</u>
<i>Net property and equipment</i>	<u>\$ 5,893</u>	<u>\$ -</u>

**NOTE 5. NET ASSETS INFORMATION**

Net assets with donor restrictions are available for the following purposes or periods at December 31, 2019 and 2018, respectively:

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NOTES TO FINANCIAL STATEMENTS

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	<u>2019</u>	<u>2018</u>
Subject to passage of time-		
United Way for the next year	\$ -	\$ 4,694
Subject to expenditure for specified purposes-		
Scholarships and awards	1,618	2,117
Mentoring	-	50,000
	<u>1,618</u>	<u>52,117</u>
<i>Total net assets with donor restrictions</i>	<u>\$ 1,618</u>	<u>\$ 56,811</u>

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes or by passage of time or other events specified by the donors as follows for the years ended December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
United Way	\$ 4,694	\$ 9,694
Mentoring	50,000	-
Satisfaction of purpose restrictions:		
Scholarships	499	-
Mentoring	5,000	-
<i>Total net assets released from restrictions</i>	<u>\$ 60,193</u>	<u>\$ 9,694</u>

**NOTE 6. SPECIAL EVENTS**

Revenue and direct expenses of special events were as follows for the years ended December 31, 2019 and 2018, respectively:

	<u>Revenues</u>	<u>Direct Expenses</u>	<u>Surplus</u>
<i>For 2019:</i>			
Bowl for Kids' Sake	\$ 32,213	\$ 7,925	\$ 24,288
Fall event and auction	99,460	32,867	66,593
Golf tournament	24,785	7,804	16,981
Other	21,666	4,432	17,234
<i>Totals</i>	<u>\$ 178,124</u>	<u>\$ 53,028</u>	<u>\$ 125,096</u>
<i>For 2018:</i>			
Bowl for Kids' Sake	\$ 48,346	\$ 5,461	\$ 42,885
Fall event and auction	269,955	36,470	233,485
Golf tournament	25,647	9,384	16,263
Other	6,660	1,456	5,204
<i>Totals</i>	<u>\$ 350,608</u>	<u>\$ 52,771</u>	<u>\$ 297,837</u>

**NOTE 7. LEASE INFORMATION**

We lease our offices under an operating lease that expires in December 2024. Minimum future payments under this non-cancelable lease as of December 31, 2019 for each of the next five years and in the aggregate are as follows:

**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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2020	\$ 28,340
2021	28,408
2022	33,398
2023	34,384
2024	<u>34,384</u>
<i>Total minimum future lease payments</i>	<u>\$ 158,914</u>

Total rent expense was \$15,229 for both 2019 and 2018.

**NOTE 8. CONCENTRATIONS**

Financial instruments that expose us to concentrations of credit risk consist primarily of cash and cash equivalents and grants and contributions receivable. We have cash on deposit with financial institutions that, at times, may exceed the insurance limit of the Federal Deposit Insurance Corporation. No deposits were in excess of such coverage at December 31, 2019.

Our donors and activities are concentrated in the St. Joseph County, Indiana area. Consequently, our contributions, special events, and other sources of support and revenue may be affected by conditions in that area. For the year ended December 31, 2019, approximately 45%, 15%, and 11%, respectively, were received from three special events. For the year ended December 31, 2018, approximately 11%, 60%, and 11%, respectively, of total revenues were received from one donor and two special events, respectively

**NOTE 9. SUBSEQUENT ACQUISITION AND NAME CHANGE**

On January 1, 2020, we acquired the assets and assumed the liabilities of Big Brothers Big Sisters of Lower West Michigan, Inc. for no consideration, and consequently changed our name to Big Brothers Big Sisters Southern Lake Michigan Region. The reason for the acquisition was to increase services provided to the area of lower West Michigan. The fair value of assets acquired and liabilities assumed are presented in the below table.

The following table presents summarized pro-forma statements of financial position as of December 31, 2019 and statements activities for the year then ended as if the acquisition had occurred on January 1, 2019:

	(Audited) BBBS-SJC	(Unaudited) BBBS-LWM	Combined BBBSSLMR
<i>Assets:</i>			
Cash and cash equivalents	\$ 194,131	\$ 48,491	\$ 242,622
Prepaid expenses	2,362	121	2,483
Property and equipment	<u>5,893</u>	<u>1,074</u>	<u>6,967</u>
<i>Total assets</i>	<u>\$ 202,386</u>	<u>\$ 49,686</u>	<u>\$ 252,072</u>
<i>Liabilities and Net Assets:</i>			
Accounts payable and accrued liabilities	<u>\$ 2,496</u>	<u>\$ 3,329</u>	<u>\$ 5,825</u>
<i>Net Assets:</i>			
Without donor restrictions	198,272	30,527	228,799
With donor restrictions	<u>1,618</u>	<u>15,830</u>	<u>17,448</u>
<i>Total net assets</i>	<u>199,890</u>	<u>46,357</u>	<u>246,247</u>
<i>Total liabilities and net assets</i>	<u>\$ 202,386</u>	<u>\$ 49,686</u>	<u>\$ 252,072</u>

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**BIG BROTHERS BIG SISTERS SOUTHERN LAKE MICHIGAN REGION, INC.**

## NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

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	(Audited) <u>BBBS-SJC</u>	(Unaudited) <u>BBBS-LWM</u>	Combined <u>BBBSSLMR</u>
<i>Support, Revenues, and Gains:</i>			
Special Events	\$ 178,124	\$ 39,552	\$ 217,676
Grants	10,745	700	11,445
Contributions	26,722	19,638	46,360
Contributed services	3,488	-	3,488
United Way	-	65,165	65,165
Interest income	<u>780</u>	<u>29</u>	<u>809</u>
<i>Total support, revenues, gains</i>	<u>219,859</u>	<u>125,084</u>	<u>344,943</u>
Big Brothers Big Sisters programs	210,162	83,682	293,844
Management and general	36,343	13,602	49,945
Fundraising	<u>146,444</u>	<u>10,623</u>	<u>157,067</u>
<i>Total expenses</i>	<u>392,949</u>	<u>107,907</u>	<u>500,856</u>
<i>Change in net assets</i>	<u>\$ (173,090)</u>	<u>\$ 17,177</u>	<u>\$ (155,913)</u>