



**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**YEARS ENDED DECEMBER 31, 2019 AND 2018**

**bland**<sup>TM</sup>  
& associates  
*beyond accounting*

BlandCPA.com

## Contents

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-20

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Big Brothers Big Sisters of the Midlands  
Omaha, Nebraska

### Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Midlands (the Organization), a Nebraska non-profit corporation, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 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 audits 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.

## INDEPENDENT AUDITORS' REPORT (Continued)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*BLAND + ASSOCIATES, P.C.*

Omaha, Nebraska  
May 29, 2020

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS  
STATEMENTS OF FINANCIAL POSITION**

<b>ASSETS</b>	<b>December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,039,513	\$ 1,364,422
Unconditional Promises to Give	247,100	253,000
Prepaid Expenses	30,611	30,310
Total Current Assets	1,317,224	1,647,732
<b>PROPERTY AND EQUIPMENT</b>		
Office Equipment	44,997	44,997
Computers and Software	16,198	16,198
	61,195	61,195
Less Accumulated Depreciation	(54,050)	(51,025)
Total Property and Equipment	7,145	10,170
<b>OTHER ASSETS</b>		
Unconditional Promises to Give, Less Current Portion	-	74,600
Beneficial Interest in Assets Held by Omaha Community Foundation	13,348	11,551
Total Other Assets	13,348	86,151
	<b>\$ 1,337,717</b>	<b>\$ 1,744,053</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 17,330	\$ 3,262
Accrued Vacation	96,742	96,769
Accrued Wages	38,542	34,457
Total Current Liabilities	152,614	134,488
<b>COMMITMENTS AND CONTINGENCIES</b>		
	-	-
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	927,003	1,268,566
Total Without Donor Restrictions	927,003	1,268,566
With Donor Restrictions		
Perpetual in Nature	11,000	11,000
Time Restricted for Future Periods	247,100	329,999
Total With Donor Restrictions	258,100	340,999
Total Net Assets	1,185,103	1,609,565
	<b>\$ 1,337,717</b>	<b>\$ 1,744,053</b>

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

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

	Years Ended December 31,					
	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING REVENUES AND SUPPORT</b>						
Contributions	\$ 1,046,608	\$ 27,100	\$ 1,073,708	\$ 1,071,630	\$ 20,000	\$ 1,091,630
United Way of the Midlands	94,653	70,000	164,653	94,852	70,000	164,852
Grants	255,692	75,000	330,692	457,416	225,000	682,416
Special Events	422,996	-	422,996	458,497	-	458,497
Less: Direct Benefit to Donors	(36,983)	-	(36,983)	(40,008)	-	(40,008)
In-Kind Contributions	105,366	-	105,366	143,472	-	143,472
Investment Revenue	7,173	-	7,173	4,485	-	4,485
Miscellaneous Income	5,825	-	5,825	3,000	-	3,000
Net Assets Released from Restriction	254,999	(254,999)	-	308,000	(308,000)	-
Total Operating Revenues and Support	2,156,329	(82,899)	2,073,430	2,501,344	7,000	2,508,344
<b>OPERATING EXPENSES</b>						
Program Services	2,023,221	-	2,023,221	2,075,586	-	2,075,586
Management and General	174,306	-	174,306	146,240	-	146,240
Fundraising	300,365	-	300,365	274,419	-	274,419
Total Operating Expenses	2,497,892	-	2,497,892	2,496,245	-	2,496,245
<b>CHANGES IN NET ASSETS</b>	(341,563)	(82,899)	(424,462)	5,099	7,000	12,099
<b>NET ASSETS - BEGINNING OF YEAR</b>	1,268,566	340,999	1,609,565	1,263,467	333,999	1,597,466
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 927,003</b>	<b>\$ 258,100</b>	<b>\$ 1,185,103</b>	<b>\$ 1,268,566</b>	<b>\$ 340,999</b>	<b>\$ 1,609,565</b>

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

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,256,097	\$ 98,551	\$ 190,177	\$ 1,544,825
Benefits	204,095	5,570	17,624	227,289
Taxes and Withholdings	92,176	6,889	14,529	113,594
Total Salaries and Related Expenses	<u>1,552,368</u>	<u>111,010</u>	<u>222,330</u>	<u>1,885,708</u>
In-Kind Donations	105,366	-	-	105,366
Occupancy	79,749	8,446	11,943	100,138
Fund Development	-	-	74,759	74,759
Professional Fees	32,178	35,686	5,660	73,524
Program Services	63,282	-	115	63,397
Insurance	42,121	3,055	4,986	50,162
Recruitment	41,045	171	266	41,482
Supplies	17,996	1,700	8,250	27,946
Membership Dues/Fees	25,618	360	630	26,608
Travel	18,788	1,532	716	21,036
Conference/Meetings	10,824	2,926	2,246	15,996
Telecommunications	11,585	1,945	1,144	14,674
Equipment Rental and Maintenance	10,779	786	1,577	13,142
Other (Miscellaneous)	2,054	5,864	205	8,123
Postage and Delivery	4,847	354	709	5,910
Depreciation	2,483	180	362	3,025
Background Checks	2,138	-	-	2,138
Bank Charges and Fees	-	-	1,450	1,450
Printing and Publication	-	291	-	291
Total Expenses before Direct Benefit to Donors	<u>2,023,221</u>	<u>174,306</u>	<u>337,348</u>	<u>2,534,875</u>
Less Direct Benefit to Donors	-	-	(36,983)	(36,983)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,023,221</u></b>	<b><u>\$ 174,306</u></b>	<b><u>\$ 300,365</u></b>	<b><u>\$ 2,497,892</u></b>

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

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 1,281,243	\$ 99,170	\$ 169,473	\$ 1,549,886
Benefits	204,216	2,124	3,230	209,570
Taxes and Withholdings	94,392	6,930	11,329	112,651
Total Salaries and Related Expenses	<u>1,579,851</u>	<u>108,224</u>	<u>184,032</u>	<u>1,872,107</u>
In-Kind Donations	143,472	-	-	143,472
Occupancy	80,285	8,389	12,022	100,696
Fund Development	-	-	80,991	80,991
Insurance	44,561	2,564	5,573	52,698
Recruitment	48,522	-	-	48,522
Professional Fees	25,022	16,568	5,574	47,164
Program Services	43,845	-	-	43,845
Supplies	20,626	1,456	8,965	31,047
Travel	19,719	2,527	3,719	25,965
Telecommunications	13,636	1,123	5,230	19,989
Membership Dues/Fees	16,142	750	320	17,212
Conference/Meetings	11,303	2,827	2,358	16,488
Equipment Rental and Maintenance	10,465	268	1,536	12,269
Other	6,612	703	408	7,723
Postage and Delivery	5,560	406	814	6,780
Depreciation	3,621	266	530	4,417
Background Checks	2,344	-	-	2,344
Bank Charges and Fees	-	-	2,229	2,229
Printing and Publication	-	169	126	295
Total Expenses before Direct Benefit to Donors	<u>2,075,586</u>	<u>146,240</u>	<u>314,427</u>	<u>2,536,253</u>
Less Direct Benefit to Donors	-	-	(40,008)	(40,008)
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,075,586</u></b>	<b><u>\$ 146,240</u></b>	<b><u>\$ 274,419</u></b>	<b><u>\$ 2,496,245</u></b>

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



**BIG BROTHERS BIG SISTERS OF THE MIDLANDS  
STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in Net Assets	\$ (424,462)	\$ 12,099
Adjustments to Reconcile Changes in Net Assets to Net Cash (Used In) Provided By Operating Activities		
Depreciation and Amortization	3,025	4,417
Unrealized (Gain) Loss on Beneficial Interest on Assets Held by Omaha Community Foundation	(1,797)	873
(Increase) Decrease in Assets:		
Unconditional Promises to Give	80,500	(7,000)
Prepaid Expenses	(301)	(390)
Increase (Decrease) in Liabilities:		
Accounts Payable	14,068	(620)
Accrued Vacation	(27)	26,737
Accrued Wages	4,085	6,793
Net Cash (Used In) Provided By Operating Activities	(324,909)	42,909
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	-	(10,584)
Net Cash Used In Investing Activities	-	(10,584)
Net (Decrease) Increase in Cash and Cash Equivalents	(324,909)	32,325
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>1,364,422</b>	<b>1,332,097</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 1,039,513</b>	<b>\$ 1,364,422</b>

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

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Big Brothers Big Sisters of the Midlands (the Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

**Reporting Entity**

The Organization is a 501(c)(3) nonprofit organization for the purpose of creating and supporting one-to-one mentoring relationships that ignite the power and promise of youth.

**Basis of Presentation**

The Organization maintains its accounts on the accrual basis of accounting.

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

Net assets without donor restriction – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) 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.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

**Measure of Operations**

In the statements of activities and changes in net assets, the Organization includes in its definition of operations all revenues and expenses that are an integral part of its programs and supporting activities. Investment income, including net realized and unrealized gains and losses, are recognized as operating support, revenues, gains, and losses.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are not considered cash or cash equivalents for purposes of the statements of cash flows.

**Unconditional Promises to Give**

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Unconditional promises to give expected to be collected in future years are recorded at the present value of their estimated future cash flows. Management reports promises to give net of allowance for uncollectible promises on its financial statements. The Organization considers promises to give to be 100% collectible; therefore, no allowance for uncollectible amounts has been established.

**Property and Equipment**

Property and equipment are recorded at cost. Expenditures for additions and betterments are capitalized; expenditures for maintenance and repairs of less than \$1,000 are charged to expense as incurred. The cost of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Property and Equipment (Continued)**

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Years</u>
Office Equipment	5-15
Computers and Software	3-5

**Beneficial Interest in Assets Held by Omaha Community Foundation**

The Organization established an endowment fund that is perpetual in nature under a community foundation. The Organization granted variance power to the community foundation, which allows the community foundation to have ultimate authority and control over the fund and the income derived therefrom. The fund is held and invested by the community foundation for the Organization's benefit and is reported at fair value within the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

**Compensated Absences**

Employees of the Organization are entitled to certain amounts of paid personal time off. In the event of termination, an employee is reimbursed for accumulated unused paid time off. The Organization's policy is to recognize the cost of the compensated absences when actually earned by the employees and is included in the accompanying financial statements.

**Revenue and Revenue Recognition**

Effective January 1, 2019, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers" ("Topic 606") using the modified retrospective transition method. This standard applies to all contracts with customers, except for customers that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under Topic 606, the Organization recognizes revenue when a customer obtains controls of promised goods or services, in an amount that reflects the consideration which the Organization expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Organization determines are within the scope of Topic 606, the Organization performs the following five steps: (i) identify the contract with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies the performance obligation. The Organization only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods and services it transfers to the customer.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

At contract inception, once the contract is determined to be within the scope of Topic 606, the Organization assesses the goods or services promised within each contract and determines those that are performance obligations. The Organization then assesses whether each promised good or service is distinct and recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received at a point in time when the event takes place.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is 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 met. All support and revenues are considered unrestricted unless stipulated by the donor or grantor.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

**In-Kind Contributions and Donated Services**

Contributions of gifts in-kind that can be used by the Organization are recorded at fair value in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by an individual possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. During the years ended December 31, 2019 and 2018, in-kind materials and services totaled \$105,366 and \$143,472, respectively. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expenses.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs allocated among program and supporting services are based on management's estimate of services benefited.

**Program Services**

Program services include community-based mentoring, Latino mentoring, foster care, bigs in blue, mentoring children of prisoners and juvenile justice.

**Advertising**

The Organization uses advertising to promote its programs, recruit volunteer mentors, and raise awareness about community-based mentoring. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$93,482 and \$105,872, respectively.

**Income Taxes**

The Organization has received exemption from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. As such, no provision for income taxes is reflected in the financial statements.

The Organization files Form 990, *Return of Organization Exempt from Income Tax*, in the U.S. Federal and state jurisdictions. As of December 31, 2018, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax years subsequent to 2015 remain subject to examination by major tax jurisdictions.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits.

**Subsequent Events**

Management has evaluated subsequent events through May 29, 2020, which is the date the financial statements were available to be issued.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Recently Adopted Accounting Pronouncements**

The Organization has adopted ASU No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended, as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue and therefore, no changes to the previously issued audited financial statements were required on a retrospective basis. As of January 1, 2019, there was no material impact on the Organization’s statements of financial position, and the related statements of activities and changes in net assets, functional expenses, or cash flows.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard was issued in order to clarify and improve the scope and the accounting guidance for contributions received and made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and distinguishing between conditional and unconditional contributions. The Organization implemented ASU 2018-08 applicable to both contributions received and to contributions made in the accompany financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation

**Upcoming Accounting Standard Pronouncements**

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*: a revision of the 2010 ASU, *Leases (Topic 840)*, which once again revises a previous change to lease accounting standards. The FASB will require an entity to classify the right to use a leased asset as an asset and the obligation to make lease payments as a liability. The revised ASU contains other factors in determining the proper recording of related expenses.

The FASB also decided on a dual approach for lessee accounting, with lease classification determined in accordance with the principle in existing lease requirements (that is, determining whether a lease is effectively an installment purchase by the lessee). A lessee therefore would account for most existing capital/finance leases as Type A leases (that is, recognizing amortization of the right-of-use (ROU) asset separately from interest on the lease liability) and most existing operating leases as Type B leases (that is, recognizing a single total lease expense). Both Type A leases and Type B leases result in the lessee recognizing a ROU asset and a lease liability. The new guidance is effective for fiscal years beginning after December 15, 2020.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE B – CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Organization to credit risk consist of cash, beneficial interest in assets, and unconditional promises to give. The Organization maintains cash balances in financial institutions in which balances sometimes exceed the federally insured limits.

**NOTE C – LIQUIDITY AND AVAILABILITY**

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To manage any unanticipated liquidity needs, the Organization holds a three-month operating reserve, but also has the ability to use currently held credit cards. If there is further need, the Organization has the option to obtain a Line of Credit with their current financial institution.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

Cash and Cash Equivalents	\$	1,039,513
Current Portion of Unconditional Promises to Give		247,100
		1,286,613
Less those unavailable for general expenditure within one year, due to contractual or donor-imposed restrictions:		
Promises to Give restricted by donor with both time and purpose restrictions		(172,100)
		\$ 1,114,513

**NOTE D – UNCONDITIONAL PROMISES TO GIVE**

The maturities of unconditional promises to give are as follows at December 31,:

	2019	2018
Receivable in Less than One Year	\$ 247,100	\$ 253,000
Receivable in One to Five Years	-	74,600
	\$ 247,100	\$ 327,600

In addition, the Organization received conditional promises to give in the amount of \$0 and \$110,000 that are not recognized as assets in the statements of financial position for December 31, 2019 and 2018, respectively. These promises represent grant awards which are conditioned upon the Organization obtaining matching funding.



**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS**

FASB Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

- Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2 - Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019.

*Beneficial Interest in Assets Held by Omaha Community Foundation:* Valued at the Organization's share of the Foundation's investment pool as of the measurement date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE E – FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2019.

	<b>Assets at Fair Value as of December 31, 2019</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Beneficial Interest in Assets Held by Omaha Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,348</u>	<u>\$ 13,348</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2018.

	<b>Assets at Fair Value as of December 31, 2018</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Beneficial Interest in Assets Held by Omaha Community Foundation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,551</u>	<u>\$ 11,551</u>

The following table sets forth a summary of changes in the fair value of the Organization's level 3 assets for the years ended December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 11,551	\$ 12,424
Investment return, net	1,797	(873)
Balance, end of year	<u>\$ 13,348</u>	<u>\$ 11,551</u>

**NOTE F – ENDOWMENTS**

In previous years, the Organization transferred funds to a community foundation and specified itself as the beneficiary of the endowment funds for support of its programs and operations. The Organization granted variance power to the community foundation, which allows the community foundation to have ultimate authority and control over the fund and the income derived therefrom. As required by U.S. GAAP, net assets and the changes therein associated with endowment funds, including fund designations by the Board of Directors to function as endowments, are classified and reported based on the existence of donor-imposed restrictions.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE F – ENDOWMENTS (Continued)**

Management interprets the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the whole dollar value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Absent any donor-imposed restrictions, interest, dividends, and net appreciation of donor-restricted endowment funds are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NUPMIFA.

In accordance with NUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the Organization and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the Organization.
- The investment policies of the Organization.

Changes in Endowment Net Assets for the years ended December 31 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, January 1, 2018	\$ 11,000
Investment Return, Net	551
Appropriated for Expenditure	<u>(551)</u>
Endowment Net Assets, December 31, 2018	11,000
Investment Return, Net	2,348
Appropriated for Expenditure	<u>(2,348)</u>
Endowment Net Assets, December 31, 2019	<u><u>\$ 11,000</u></u>

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE F – ENDOWMENTS (Continued)**

**Return Objectives and Risk Parameters**

The Organization has investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while complying with all donor-imposed restrictions. The fund is subject to the community foundation's investment policy.

**Strategies Employed for Achieving Objectives**

To satisfy its long-term rate-of-return objective of preserving endowment funds, the Organization relies on a total return strategy in which investment returns are achieved primarily through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

**Spending Policies**

The Fund is subject to the community foundation's spending policies. Upon request of the Organization, the community foundation shall direct grants from the income of the fund in an amount not to exceed the community foundation board-determined percentage of the fund net assets annually. Distributions in excess of the income of the fund may be made to the Organization in any year as determined by the community foundation Board of Directors.

**NOTE G – OPERATING LEASES**

The Organization leases some of its office equipment under non-cancelable operating leases that expire at various times in 2022. The leases contain renewal options and require the Organization to pay all executory costs such as taxes, maintenance, and insurance. Rental expense for the leases was \$13,142 and \$12,269 for the years ended December 31, 2019 and 2018, respectively.

The Organization obtained a lease for office space in October 2007. In 2016, the Organization gained additional space and an amendment was made to the lease agreement. The amendment increased the rent to \$7,860 per month effective May 2016. The initial base rent is adjusted annually to reflect the actual Consumer Price Index increase but the adjustment cannot exceed 3% of the previous year's base rent. The lease is set to expire October 31, 2020. Total rent expense for the years ended December 31, 2019 and 2018 was \$95,573 and \$95,573, respectively.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE G – OPERATING LEASES (Continued)**

The future minimum lease payments required under the above operating leases as of December 31, 2019 are as follows:

Years Ending December 31,	Amount
2020	\$ 86,473
2021	6,828
2022	2,750
Total	\$ 96,051

**NOTE H – RETIREMENT PLAN**

The Organization maintains a Simple IRA pension plan for the benefit of the employees. The Organization makes a contribution to the plan each year equal to 100% of the salary reduction amount for that participant, up to a maximum of 3% of compensation. Contributions totaled \$32,746 and \$27,563 for the years ended December 31, 2019 and 2018, respectively.

**NOTE I – TRANSACTIONS WITH BIG BROTHERS BIG SISTERS OF AMERICA**

The Organization receives grant allocations from Big Brothers Big Sisters of America (BBBSA) each year. The Organization received \$32,412 and \$66,891 in grant allocations for the years ended December 31, 2019 and 2018, respectively. The Organization also pays BBBSA affiliation dues each year. For the years ended December 31, 2019 and 2018, these dues totaled \$24,313 and \$14,910, respectively.

**NOTE J – SUBSEQUENT EVENTS**

On March 10, 2020 the World Health Organization declared the coronavirus outbreak to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Organization operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Organization, the Organization is experiencing a disruption in daily activities.

On April 14, 2020, the Organization received loan proceeds of \$332,000, pursuant to the Paycheck Protection Program (the “PPP”), which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”). The loan proceeds and accrued interest are forgivable after eight weeks as long as the Organization uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purposes consistent with the PPP in order to ensure the full loan balance is forgiven.

**BIG BROTHERS BIG SISTERS OF THE MIDLANDS**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**Years Ended December 31, 2019 and 2018**

**NOTE J – SUBSEQUENT EVENTS (Continued)**

In May 2020, the Organization was notified they would be receiving a decrease in funding from United Way of the Midlands (United Way). Historically, the Organization has received approximately \$140,000 each year from United Way and this was reduced to \$20,000 for the period of July 1, 2020 to June 30, 2021. The Organization will be seeking alternative grant opportunities to make up for this anticipated decrease in revenue.