

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

FORT WAYNE, INDIANA

Financial Statements

as of December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters
of Northeast Indiana, Inc.
Fort Wayne, Indiana

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Northeast Indiana, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Northeast Indiana, Inc. as of December 31, 2022 and 2021 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Big Brothers Big Sisters of Northeast Indiana, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 accounting principles generally accepted in the United States of America, 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, that raise substantial doubt about Big Brothers Big Sisters of Northeast Indiana, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 generally accepted 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

Big Brothers Big Sisters
Of Northeast Indiana, Inc.
Independent Auditor's Report (Continued)

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 generally accepted 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 Big Brothers Big Sisters of Northeast Indiana, 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, that raise substantial doubt about Big Brothers Big Sisters of Northeast Indiana, 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.



LEONARD J. ANDORFER & CO., LLP
Certified Public Accountants
Fort Wayne, Indiana

June 12, 2023

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

Statements of Financial Position

ASSETS	<u>December 31 2022</u>	<u>December 31 2021</u>
Cash and cash equivalents	\$ 1,375,574	\$ 1,243,170
Investments	8,389,442	6,571,700
Pledges receivable (net)	28,865	30,687
Prepaid expenses	29,858	92,664
Beneficial interest - Community Foundations	364,039	425,806
Accrued income	36,765	28,977
Property and equipment - net	79,641	73,391
Right-to-use asset	<u>640,829</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 10,945,013</u>	<u>\$ 8,466,395</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 18,274	\$ 19,278
Accrued liabilities	55,966	63,556
Operating lease obligation	<u>640,829</u>	<u>-</u>
Total Liabilities	715,069	82,834
Net Assets Without Donor Restrictions		
Undesignated	4,753,647	3,017,793
Board designated - endowment	3,279,187	3,018,658
Net Assets With Donor Restrictions	<u>2,197,110</u>	<u>2,347,110</u>
Total Net Assets	<u>10,229,944</u>	<u>8,383,561</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,945,013</u>	<u>\$ 8,466,395</u>

See Independent Auditor's Report
and Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2022
(With Comparative Totals for the Year Ended December 31, 2021)**

	Without Donor Restrictions	With Donor Restrictions	Totals 2022	Totals 2021
SUPPORT AND REVENUE				
Contributions	\$ 781,128	\$	\$ 781,128	\$ 653,561
Campaign contributions (net)	178		178	975
Foundation grants	3,400,311		3,400,311	1,617,285
Government grants	231,490		231,490	743,657
United Way	107,557		107,557	169,260
Fund raising events				
Proceeds	1,401,738	83,500	1,485,238	1,486,101
Less: cost of direct benefits to donors	(254,309)		(254,309)	(147,023)
In-kind contributions	156,877		156,877	118,639
Investment income	148,185		148,185	172,904
Unrealized gain (loss) on investments	(677,611)		(677,611)	698,091
Total Support and Revenue	5,295,544	83,500	5,379,044	5,513,450
Net Assets Released From Restrictions	233,500	(233,500)	-	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS				
	5,529,044	(150,000)	5,379,044	5,513,450
EXPENSES				
Programs	2,835,175		2,835,175	2,325,176
Management and general	222,313		222,313	205,927
Fund raising	475,173		475,173	405,706
Total Expenses	3,532,661		3,532,661	2,936,809
CHANGE IN NET ASSETS				
	1,996,383	(150,000)	1,846,383	2,576,641
NET ASSETS - BEGINNING OF YEAR				
	6,036,451	2,347,110	8,383,561	5,806,920
NET ASSETS - END OF YEAR				
	\$ 8,032,834	\$ 2,197,110	\$ 10,229,944	\$ 8,383,561

See Independent Auditor's Report
and Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

**Statement of Activities and Changes in Net Assets
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Totals 2021
SUPPORT AND REVENUE			
Contributions	\$ 628,561	\$ 25,000	\$ 653,561
Campaign contributions (net)	975		975
Foundation grants	523,675	1,093,610	1,617,285
Government grants	743,657		743,657
United Way	169,260		169,260
Fund raising events			
Proceeds	1,257,601	228,500	1,486,101
Less: cost of direct benefits to donors	(147,023)		(147,023)
In-kind contributions	118,639		118,639
Investment income	172,904		172,904
Unrealized gain on investments	698,091		698,091
Total Support and Revenue	4,166,340	1,347,110	5,513,450
Net Assets Released From Restrictions	195,167	(195,167)	-
TOTAL SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
	4,361,507	1,151,943	5,513,450
EXPENSES			
Programs	2,325,176		2,325,176
Management and general	205,927		205,927
Fund raising	405,706		405,706
Total Expenses	2,936,809		2,936,809
CHANGE IN NET ASSETS			
	1,424,698	1,151,943	2,576,641
NET ASSETS - BEGINNING OF YEAR			
	4,611,753	1,195,167	5,806,920
NET ASSETS - END OF YEAR			
	\$ 6,036,451	\$ 2,347,110	\$ 8,383,561

See Independent Auditor's Report
and Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

**Statement of Functional Expenses
Year Ended December 31, 2022**

(With Comparative Totals for the Year Ended December 31, 2021)

	Programs	Management and General	Fund Raising	Totals 2022	Totals 2021
Salaries	\$ 1,295,040	\$ 126,345	\$ 157,932	\$ 1,579,317	\$ 1,439,358
Employee benefits	357,417	34,870	43,587	435,874	395,361
Payroll taxes	110,949	10,824	13,530	135,303	123,517
Other	82,604	4,404	5,505	92,513	67,973
Total Salaries and Related Expenses	1,846,010	176,443	220,554	2,243,007	2,026,209
Program expense	210,109			210,109	102,677
Supplies	13,440	1,311	1,639	16,390	13,914
Printing	9,354	913	1,141	11,408	14,927
Travel and training	33,771			33,771	11,113
Mileage	12,480	482	3,494	16,456	10,012
Property and equipment expense	18,197	1,172	1,465	20,834	46,143
Building expense	169,509	16,537	20,672	206,718	188,660
Advertising/promotions	68,985			68,985	23,392
Insurance	50,888	4,965	6,206	62,059	53,913
Professional services	25,436	9,900		35,336	9,400
Postage	8,309	811	1,013	10,133	9,805
Dues	45,425	1,895	10,680	58,000	107,689
Telephone and internet	26,784	2,613	3,266	32,663	23,817
Miscellaneous	9,399	2,295	1,146	12,840	12,070
Donation to BBBSA	100,000			100,000	-
Special events	268,194		342,871	611,065	393,281
Total Expenses Before Depreciation	2,916,290	219,337	614,147	3,749,774	3,047,022
Depreciation	30,500	2,976	3,720	37,196	36,810
Total Expenses By Function	\$ 2,946,790	\$ 222,313	\$ 617,867	\$ 3,786,970	\$ 3,083,832
Less expenses included in support and revenue on the statement of activities	111,615		142,694	254,309	147,023
Total Expenses	\$ 2,835,175	\$ 222,313	\$ 475,173	\$ 3,532,661	\$ 2,936,809

See Independent Auditor's Report
and Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

**Statement of Functional Expenses
Year Ended December 31, 2021**

	Programs	Management and General	Fund Raising	Totals 2021
Salaries	\$ 1,180,273	\$ 115,149	\$ 143,936	\$ 1,439,358
Employee benefits	324,196	31,629	39,536	395,361
Payroll taxes	101,284	9,881	12,352	123,517
Other	58,809	5,040	4,124	67,973
Total Salaries and Related Expenses	1,664,562	161,699	199,948	2,026,209
Program expense	102,677			102,677
Supplies	11,410	1,113	1,391	13,914
Printing	12,239	1,194	1,494	14,927
Travel and training	11,113			11,113
Mileage	5,802	240	3,970	10,012
Property and equipment expense	37,970	4,495	3,678	46,143
Building expense	154,701	15,093	18,866	188,660
Advertising/promotions	23,392			23,392
Insurance	44,209	4,313	5,391	53,913
Professional services		9,400		9,400
Postage	8,040	784	981	9,805
Dues	98,762	1,780	7,147	107,689
Telephone and internet	19,530	1,905	2,382	23,817
Miscellaneous	9,899	966	1,205	12,070
Special events	144,828		248,453	393,281
Total Expenses Before Depreciation	2,349,134	202,982	494,906	3,047,022
Depreciation	30,184	2,945	3,681	36,810
Total Expenses By Function	2,379,318	205,927	498,587	3,083,832
Less expenses included in support and revenue on the statement of activities	54,142		92,881	147,023
Total Expenses	\$ 2,325,176	\$ 205,927	\$ 405,706	\$ 2,936,809

See Independent Auditor's Report
and Notes to Financial Statements.

**BIG BROTHERS BIG SISTERS
OF NORTHEAST INDIANA, INC.**

**Statements of Cash Flows
Years Ended December 31, 2022 and 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	2022	2021
Change in net assets	\$ 1,846,383	\$ 2,576,641
Adjustments to reconcile change in net assets to cash flows provided by operating activities		
Depreciation	37,196	36,810
Unrealized loss (gain) on investments	677,611	(698,091)
Contribution of securities	-	(794,676)
PPP loan forgiveness	-	(627,796)
Changes in assets and liabilities		
(Increase) decrease in:		
Pledges receivable (net)	1,822	325
Prepaid expenses	62,806	(69,714)
Accrued income	(7,788)	(4,276)
Increase (decrease) in:		
Accounts payable	(1,004)	(19,596)
Accrued liabilities	(7,590)	(47,564)
Net Cash Provided By Operating Activities	2,609,436	352,063
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(3,663,515)	(1,813,658)
Proceeds from sale of investments	1,229,929	1,204,951
Purchase of property and equipment	(43,446)	(8,568)
Net Cash Used For Investing Activities	(2,477,032)	(617,275)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	-	322,196
 NET INCREASE IN CASH AND CASH EQUIVALENTS	132,404	56,984
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,243,170	1,186,186
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,375,574	\$ 1,243,170

See Independent Auditor's Report
and Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Big Brothers Big Sisters of Northeast Indiana, Inc. provides guidance and support to the youth of northeast Indiana and southern Michigan through various programs that match adult mentors with youth. At the present time, the Agency serves the Indiana counties of Allen, Adams, Wells, DeKalb, Noble, Huntington, Whitley, Kosciusko, Steuben and Lagrange and the Michigan counties of Branch and Hillsdale.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Big Brothers Big Sisters of Northeast Indiana, Inc. and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets Without Donor Restrictions – Board Designated – these net assets represent amounts established by the Board of Directors that represent net assets without donor restrictions which have been set aside for future needs of the organization.

Net Assets With Donor Restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Promises to Give – Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are 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.

Investments – The Organization has adopted FASB ASC 958-320-50-1. Under FASB ASC 958-320-50-1, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Functional Expenses – The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. The financial statements 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, certain professional services, supplies, information technology, insurance and other expenses, which are allocated on the basis of time and effort.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Income Taxes - The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and qualifies for the 60% charitable contributions deduction limitation. The CARES Act temporarily increased the deductibility of charitable contributions to 100% of adjusted gross income for charitable contributions made in 2021. The Organization has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

The Organization has adopted FASB ASC 740-10-25, and determined no material unrecognized tax benefits or liabilities exist as of December 31, 2022 and 2021. The adoption of FASB ASC 740-10-25 did not impact the organization's financial position or results of operations. If applicable, the organization will recognize interest and penalties related to underpayment of income taxes as income tax expense. As of December 31, 2022 and 2021, respectively, the organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The organization does not anticipate any significant changes to unrecognized income tax benefits over the next year. The organization is generally no longer subject to examination by Federal or State agencies for years before 2019.

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.

Reclassification – Prior year presentation has been reclassified to conform with the current year's presentation. These reclassifications have no effect on previously reported operational results.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Accounts Receivable – If considered necessary, the Organization provides an allowance for doubtful receivables which is based on management's estimate of losses that will be incurred in the collection of all receivables.

Property and Equipment – Property and equipment are stated at cost or, if donated, at fair value at the date of the gift. Items with a cost or value of \$1,000 or more and a useful life of one year or more are capitalized. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted support. The Organization follows the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets as follows:

Building	20 years
Equipment	3-10 years
Vehicles	5 years

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies (continued)

Revenue Recognition – The Organization recognizes revenue from the following sources:

Contributions and Grants: The Organization recognizes support when received or unconditionally promised. Grants and contracts are classified as contributions in instances in which a resource provider is not itself receiving commensurate value for the resources provided. Contributions are considered conditional when the agreement with the resource provider includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets. Conditional contributions are not recognized as revenue until the conditions are substantially met.

Special Events and Sponsorships: The Organization has multiple special events where tickets are purchased for the event and revenue is recognized upon the occurrence of the event. In addition, the Organization will sell sponsorships for the events. When a sponsorship is sold, it contains elements of both an exchange transaction and a contribution. The Organization will recognize the contribution portion once received or unconditionally pledged. The portion related to the exchange transaction is recorded as deferred income until the event occurs at which time it is recognized as revenue.

In-kind Contributions: Contributions of professional services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. Volunteers contribute amounts of time to the Organization's activities that do not meet recognition criteria, and the value of that time is not reflected in the financial statements. The total value assigned to in-kind contributions amounted to \$156,877 and \$118,639 for the years ended December 31, 2022 and 2021, respectively.

Advertising Costs – Advertising and promotional programs are charged to expense during the period in which they are incurred. Advertising expense in the amount of \$68,985 and \$23,392 was incurred in the years ending December 31, 2022 and 2021, respectively.

Compensated Absences – The Organization allows employees to receive compensation for paid time off. As of December 31, 2022 and 2021, compensated absences have been calculated as \$17,199 and \$16,293, respectively. This amount has been reflected in the 2022 and 2021 Statements of Financial Position as part of accrued liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 2 – Investments

Investments as of December 31, 2022 and 2021 consisted of the following:

	December 31, 2022	December 31, 2021
Cash equivalents	\$ 101,551	\$ 114,810
Certificates of deposit	222,582	222,543
Equities	4,439,648	4,534,473
Fixed income - corporate bonds	429,895	85,547
Fixed income - municipal bonds	2,206,006	1,614,327
Fixed income - U.S. Treasury	989,760	-
Total Investments at Fair Value	\$ 8,389,442	\$ 6,571,700
Total Investments at Historical Cost	\$ 7,418,211	\$ 4,987,459

NOTE 3 – Beneficial Interest – Community Foundations

Funds held at Community Foundations as of December 31, 2022 and 2021 are summarized as follows:

	December 31 2022	December 31 2021
Community Foundation of Greater Fort Wayne	\$ 352,746	\$ 412,357
Kosciusko County Community Foundation	11,293	13,449
Total	\$ 364,039	\$ 425,806

The investments held by the Community Foundations are the result of agreements whereby the Organization has transferred assets, without variance power, to the Foundations and has specified itself as the beneficiary of those assets. The Organization may draw up to a certain percentage of the value of the assets each year, but may only obtain a return of the full value of the assets upon consent of the Foundations.

Additionally, the Foundations hold investment assets, with a value of \$329,968 and \$361,459 at December 31, 2022 and 2021, respectively, for the benefit of the Organization for which they have retained variance power. These assets are not recorded as assets of the Organization.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Fair Value of Financial Instruments

FASB ASC 820-10-50-1 requires certain disclosures regarding the fair value of financial instruments. Financial instruments held by Big Brothers Big Sisters of Northeast Indiana, Inc. impacted by this pronouncement include the investments held at market value.

FASB ASC 820-10-50-1 establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of input described below:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Fair value of financial instruments as of December 31, 2022 is as follows:

	Total	Quoted market prices for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Cash and cash equivalents	\$ 101,551	\$ 101,551	\$	\$
Certificates of deposit	222,582	222,582		
Equities	4,439,648	4,439,648		
Fixed income	3,625,661		3,625,661	
Community Foundation of Greater Fort Wayne	352,746			352,746
Kosciusko County Community Foundation	11,293			11,293
Total	\$ 8,753,481	\$ 4,763,781	\$ 3,625,661	\$ 364,039

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Fair Value of Financial Instruments (Continued)

Fair value of financial instruments as of December 31, 2021 is as follows:

	<u>Total</u>	Quoted market prices for identical assets <u>Level 1</u>	Significant other observable inputs <u>Level 2</u>	Significant unobservable inputs <u>Level 3</u>
Cash and cash equivalents	\$ 114,810	\$ 114,810	\$	\$
Certificates of deposit	222,543	222,543		
Equities	4,534,473	4,534,473		
Fixed income	1,699,874		1,699,874	
Community Foundation of Greater Fort Wayne	412,357			412,357
Kosciusko County Community Foundation	<u>13,449</u>			<u>13,449</u>
Total	<u><u>\$ 6,997,506</u></u>	<u><u>\$ 4,871,826</u></u>	<u><u>\$ 1,699,874</u></u>	<u><u>\$ 425,806</u></u>

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2022:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - January 1, 2022	\$ 425,806
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	11,237
Unrealized loss	(63,639)
Realized gain on sale of securities	7,879
Investment fees	(1,942)
Transfers out	(15,302)
Ending Balance - December 31, 2022	<u><u>\$ 364,039</u></u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4 – Fair Value of Financial Instruments (Continued)

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2021:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)
Beginning Balance - January 1, 2021	\$ 361,161
Total gains or losses (realized/unrealized) included in earnings:	
Contributions	-
Interest and dividend income on securities	13,182
Unrealized gains	58,018
Realized gains on sale of securities	9,378
Investment fees	(2,008)
Transfers out	(13,925)
Ending Balance - December 31, 2021	\$ 425,806

NOTE 5 – Investment Income

Net investment income from the investment account, the Community Foundations and the Certificates of Deposits consisted of the following:

	December 31 2022	December 31 2021
Dividends, interest, and realized gains	\$ 200,080	\$ 213,527
Investment management fees	(51,895)	(40,623)
Unrealized gains (losses)	(677,611)	698,091
Total	(\$ 529,426)	\$ 870,995

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 6 – Property and Equipment

The components of property and equipment are as follows:

	December 31 2022	December 31 2021
Building and improvements	\$ 33,619	\$ 33,619
Equipment	245,160	371,475
Vehicles	102,957	102,957
	381,736	508,051
Accumulated depreciation	(302,095)	(434,660)
Total	\$ 79,641	\$ 73,391

NOTE 7 – Net Assets with Donor Restrictions

The Organization has net assets that are donor restricted for the following purposes:

	December 31 2022	December 31 2021
Recruitment campaign	\$ -	\$ 25,000
Future periods:		
Fund raising events	203,500	228,500
Endowment	1,993,610	1,993,610
50th Anniversary	-	100,000
	-	100,000
Total	\$ 2,197,110	\$ 2,347,110

NOTE 8 – Off-Balance Sheet Risk

Big Brothers Big Sisters of Northeast Indiana, Inc. maintains its cash accounts at local banks. The cash balances and short-term investments are insured by the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2022 and 2021 the Organization had uninsured cash balances of \$812,352 and \$507,720, respectively.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 9 – Operating Lease

The Organization leases office space under the terms of a lease that expired December 31, 2022. The lease has been amended to extend the lease through December 31, 2025.

The operating lease is reflected in the balance sheet as right-to-use asset and related lease liabilities. Right-to-use assets represent the right to use an underlying asset for the lease term (or longer if management intends to continue) and liabilities represent the obligation to make lease payments arising from the lease agreement.

The adoption of ASC 842 resulted in recording non-cash transactional adjustment to right-to-use assets and operating lease liability of \$640,829.

Future minimum lease obligation payments under the expected occupancy of the building are as follows:

Year	Amount
December 31, 2023	\$ 193,205
December 31, 2024	213,064
December 31, 2025	234,560

NOTE 10 – Retirement Plan

The Organization sponsors a defined contribution plan where contributions to the plan are made for all employees with at least 30 days of continuous employment. The Organization's contributions are 100% vested after 3 years of employment. The Organization contributes \$3 for each \$1 contributed by eligible employees up to 2% of each employee's total compensation. Expenses for the years ended December 31, 2022 and 2021 amounted to \$60,448 and \$58,169, respectively.

NOTE 11 – Endowments

The Organization's endowment consists of two funds established for providing revenue from earnings. Its endowment includes board designated endowment funds. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with donor restricted funds, including designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift, as of the gift date of the donor permanently restricted funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts, (b) the original value of subsequent gifts, and (c) accumulations made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted fund that is not classified in permanently restricted net assets is classified as designated net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – Endowments (Continued)

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

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted 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

Endowment net asset composition by type of fund as of December 31, 2022, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 2,915,148	\$	\$ 2,915,148
Board designated funds - Community Foundations	364,039		364,039
Net assets with donor restrictions	<u> </u>	<u>1,993,610</u>	<u>1,993,610</u>
	<u>\$ 3,279,187</u>	<u>\$ 1,993,610</u>	<u>\$ 5,272,797</u>

Endowment net asset composition by type of fund as of December 31, 2021, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Board designated funds - campaign	\$ 2,592,852	\$	\$ 2,592,852
Board designated funds - Community Foundations	425,806		425,806
Net assets with donor restrictions	<u> </u>	<u>1,993,610</u>	<u>1,993,610</u>
	<u>\$ 3,018,658</u>	<u>\$ 1,993,610</u>	<u>\$ 5,012,268</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – Endowments (Continued)

Changes in endowment net assets for the year ended December 31, 2022, are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 3,018,658	\$ 1,993,610	\$ 5,012,268
Contributions (net)	322,296		322,296
Investment return:			
Dividends, interest and realized investment gains/losses	128,890		128,890
Unrealized losses	(688,958)		(688,958)
Total investment return	(560,068)		(560,068)
Appropriation of endowment assets for expenditures	(15,302)		(15,302)
Transfers	<u>513,603</u>		<u>513,603</u>
Endowment net assets - end of year	<u>\$ 3,279,187</u>	<u>\$ 1,993,610</u>	<u>\$ 5,272,797</u>

Changes in endowment net assets for the year ended December 31, 2021 are as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ 2,725,982	\$ 1,000,000	\$ 3,725,982
Contributions (net)	229,441	993,610	1,223,051
Investment return:			
Dividends, interest and realized investment gains/losses	172,615		172,615
Unrealized gain	<u>698,091</u>		<u>698,091</u>
Total investment return	870,706		870,706
Appropriation of endowment assets for expenditures	(13,925)		(13,925)
Transfers	(793,546)		(793,546)
Endowment net assets - end of year	<u>\$ 3,018,658</u>	<u>\$ 1,993,610</u>	<u>\$ 5,012,268</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 11 – Endowments (Continued)

Funds With Deficiencies – From time to time, the fair value of assets associated with individual donor restricted funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets without donor restrictions. These deficiencies result from unfavorable investment performance due to unfavorable market conditions for the investments supporting the donor restricted and designated net assets.

Return Objectives and Risk Parameters – The organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period as well as designated funds. The Organization expects its endowment fund, over time, to provide an average rate of return of approximately 8% annually. 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, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy – The Organization has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior four quarters through the calendar year end preceding the fiscal year in which the distribution is planned. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the current value. This is consistent with the organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 12 – Indirect Support – United Way

Indirect support from United Way includes allocations from United Way Agencies in counties served by the Organization. Included in the amount for 2022 of \$107,557 are designated contributions from individuals of \$8,407. Included in the amount for 2021 of \$169,260 are designated contributions from individuals of \$4,643.

NOTE 13 – Paycheck Protection Program (PPP) Loan

The Organization received two PPP loans established by the CARES Act and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. The Organization has met all requirements for loan forgiveness and has recognized within support on the statement of activities and changes in net assets \$627,296 as of December 31, 2021, (the full amount of the PPP loan).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 14 – Line of Credit

The Organization has established a line of credit with PNC Bank in the amount of \$100,000. The note expires on October 10, 2023 and bears interest at the bank's prime rate plus 3.37% (10.87% at December 31, 2022). The note was unused at December 31, 2022 and 2021.

NOTE 15 – Fundraising Campaign

Big Brothers Big Sisters of Northeast Indiana, Inc. is conducting a fundraising campaign to raise \$6,000,000 to fund an endowment for long term sustainability. The Organization is one of the largest agencies in the country and is not a fee for service so any sudden loss of funding or a downturn in the economy could have a substantial impact on the level and quality of the service provided at BBBS. The campaign will collect pledges over the course of five years and will include gifts that are donor restricted as well as unrestricted. Outstanding pledges as of December 31, 2022 and 2021 are detailed as follows:

	December 31 2022	December 31 2021
Pledges receivable in less than one year	\$ 27,005	\$ 27,005
Pledges receivable in one to five years	1,960	3,882
	28,965	30,887
Less: allowance for uncollectible pledges	(100)	(200)
	<u>\$ 28,865</u>	<u>\$ 30,687</u>

Pledges have been capitalized using a discount factor of 2%.

NOTE 16 – Liquidity and Availability of Financial Assets

The following reflects the financial assets as of the balance sheet date, reduced by amounts not available for general use within one year of the balance sheet date because of contractual or donor-imposed restrictions or internal designations. Amounts available include donor-restricted amounts that are available for expenditure in the following year. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the board approves that action.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 16 – Liquidity and Availability of Financial Assets

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,375,574	\$ 1,243,170
Accounts receivable, net, collected in less than one year	36,765	28,977
Pledges receivable, net, collected in less than one year	27,005	27,005
Investments	<u>8,389,442</u>	<u>6,571,700</u>
Total financial assets, excluding noncurrent receivables	9,828,786	7,870,852
Contractual or donor-imposed restrictions:		
Endowment fund investments	(3,279,187)	(3,018,658)
Add back: amount appropriated for following years	137,000	87,000
Other donor restrictions	(2,197,110)	(2,347,110)
Add back: amounts available for donor-specified expenditures in following year	<u>103,500</u>	<u>233,500</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	<u>\$ 4,592,989</u>	<u>\$ 2,825,584</u>

NOTE 17 – Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2023, the date the financial statements were available to be issued.