BIG BROTHERS BIG SISTERS OF THE LOWCOUNTRY
NORTH CHARLESTON, SOUTH CAROLINA

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

GLASER + COMPANY
certified public accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of the Lowcountry
North Charleston, South Carolina

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Lowcountry (a South Carolina nonprofit corporation) which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Lowcountry as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Glaser and Company, LLC

September 30, 2020
Charleston, South Carolina

BIG BROTHERS BIG SISTERS OF THE LOWCOUNTRY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets		
Cash and cash equivalents	$	161,297
Unconditional promises to give, current		29,358
Total current assets		190,655
Non-current Assets		
Unconditional promises to give, net of current portion		8,730
Deposits		2,238
Property, plant and equipment		1,095
Total non-current assets		12,063
Total assets	$	202,718

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable and credit card liabilities	$	3,697
Paycheck protection program loan		42,770
Total current assets		46,467
Noncurrent Liabilities		
Deferred lease obligation		1,169
Total liabilities		47,636
Net Assets		
Net assets without donor restrictions		115,082
Net assets with donor restrictions		40,000
Total net assets		155,082
Total liabilities and net assets	$	202,718

See accompanying notes to the financial statements.

BIG BROTHERS BIG SISTERS OF THE LOWCOUNTRY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues			
Contributions and grants	$ 284,883	$ 20,000	$ 304,883
Fundraising event, net of $7,233 of expenses	27,688	-	27,688
Fees	1,395	-	1,395
Interest	21	-	21
Miscellaneous	12,162	-	12,162
Total Support and Revenues	326,149	20,000	346,149
Net assets released from restriction	20,000	(20,000)	-
Total support and revenues and net assets released from restriction	346,149	-	346,149
Expenses			
Program services:	231,311	-	231,311
Supporting services:			
Management and general	31,462	-	31,462
Fundraising	39,043	-	39,043
Total expenses	301,816	-	301,816
Increase in net assets	44,333	-	44,333
Net assets, beginning of year	70,749	40,000	110,749
Net assets, end of year	$ 115,082	$ 40,000	$ 155,082

See accompanying notes to the financial statements.

BIG BROTHERS BIG SISTERS OF THE LOWCOUNTRY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Payroll	$ 143,909	$ 16,000	$ 28,000	$ 187,909
Payroll taxes	11,320	1,259	2,202	14,781
Benefits	18,027	979	1,714	20,720
	173,256	18,238	31,916	223,410
Accounting fees	-	5,536	-	5,536
Advertising and marketing	455	-	51	506
Background checks	2,688	-	-	2,688
Contract labor	3,835	-	-	3,835
Office expense and supplies	2,332	437	146	2,915
Telephone and connectivity	3,035	569	190	3,794
Information technology	4,984	427	634	6,045
Local travel	1,318	-	49	1,367
Training, seminars and conventions	1,798	303	807	2,908
Rent and utilities	20,800	2,313	4,047	27,160
Bank and card processing fees	1,007	1,557	947	3,511
Insurance	10,853	1,434	114	12,401
Depreciation	437	81	142	660
Training and staff building	42	-	-	42
National BBBS dues	4,353	-	-	4,353
Miscellaneous	118	567	-	685
Total expenses	$ 231,311	$ 31,462	$ 39,043	$ 301,816

See accompanying notes to the financial statements.

BIG BROTHERS BIG SISTERS OF THE LOWCOUNTRY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities:		
Increase in net assets	$	44,333
Adjustments to reconcile increase in net assets to		
net cash provided by operating activities:		
Amortization of discount on unconditional promises to give		1,912
Depreciation expense		660
Increase (decrease) in liabilities:		
Accounts payable		(5,137)
Deferred lease liability		1,169
Net cash provided by operating activities		42,937
Cash Flows from Financing Activities:		
Proceeds from Paycheck Protection Program loan		42,770
Net cash provided by financing activities		42,770
Net increase in cash and cash equivalents		85,707
Cash and cash equivalents, beginning of year		75,590
Cash and cash equivalents, end of year	$	161,297

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Big Brothers Big Sisters of the Lowcountry (the "Organization") is an affiliate of Big Brothers Big Sisters of America. The Organization was incorporated on February 8, 2019 under the laws of South Carolina as a nonprofit organization and started operations in 2019. The Organization serves Berkeley, Charleston and Dorchester Counties of South Carolina. Prior to gaining independence, the Organization's program was part of the Carolina Youth Development Center, a separate legal entity.

Big Brothers Big Sisters of the Lowcountry believes that inherent in every child is incredible potential. The Organization creates and supports meaningful matches between adult volunteers "Bigs" and children "Littles", ages 6 through young adulthood throughout our Tri-county region. The Organization develops positive relationships that have a direct and lasting effect on the lives of young people.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

In accordance with ASC 958-205, *Presentation of Financial Statements*, the Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets not subject to donor-imposed stipulations. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions; however, donor-restricted contributions that are received and expended in the same year are classified as without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets, (that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed), are reported as reclassifications between the applicable classes of net assets.

Net Assts With Donor Restrictions

Net assets subject to donor-imposed restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The preparation of financial statements also requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allocation of expenses by function. It is at least reasonably possible that the estimates used will change within the near term.

Cash and Cash Equivalents

For the purpose 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Property, Plant and Equipment

Property, plant and equipment are carried at cost when purchased or, if contributed, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of three years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property, plant and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Contributions, Promises to Give, and Grants Receivables

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Unconditional promises to give and grants that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The average discount rates used for the year ended June 30, 2020 was 1.67% to 2.45%. Amortization of the discount is presented with contribution revenues.

The Organization uses the allowance method to account for uncollectible amounts based on management's estimate of the collectability of the amount receivable. Management does not accrue interest or finance charges on overdue balances. Receivables are considered impaired if payments are not received in accordance with the terms of the receivable. It is the Organization's policy to charge off uncollectible amounts when management determines the receivable will not be collected. Due to the nature and sources of grants receivable and unconditional promises to give, the Organization has not recorded an allowance for doubtful accounts in accordance with the assessment that such receivables are fully collectible.

Contributions and grants received are recorded as with and without donor-imposed restrictions, depending on the existence and/or nature of those restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor-imposed restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-imposed restricted contributions are reported as increases in donor-imposed restricted net assets depending on the nature of the restrictions. When a restriction expires, net assets are reclassified to net assets without donor-imposed restrictions.

Gifts of land, buildings, and equipment are presented as without donor-imposed restriction unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations concerning the length of time those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Functional Expenses

Salaries and related expenses are allocated based on job descriptions, time and effort, and best estimates of management. Expenses other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management including allocations based on salaries, FTE or other direct costs.

Advertising

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization is classified by the IRS as other than a private foundation under Section 509(a)(1) and, therefore, is exempt from federal and state income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

The Organization has adopted Financial Accounting Standards Board ("FASB") guidance related to accounting for uncertainty in income taxes which clarifies the accounting for income taxes by prescribing the minimum recognition threshold that a tax position is required to meet before being recognized in the Organization's financial statements. The interpretation also provides guidance on derecognition classification, interest and penalties, disclosure, and transition.

New Accounting Pronouncements
In February 2016, the FASB issued ASU 2016-02 Leases (Topic 842). The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the "balance sheet" a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. When measuring assets and liabilities arising from a lease, a lessee (and a lessor) should include payments to be made in optional periods only if the lessee is reasonably certain to exercise an option to extend the lease or not to exercise an option to terminate the lease. Similarly, optional payments to purchase the underlying asset should be included in the measurement of lease assets and lease liabilities only if the lessee is reasonably certain to exercise that purchase option. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it should recognize lease expenses for such leases generally on a straight-line basis over the lease term. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Management considers the implementation of this standard will have a material impact on the financial statements.

In November 2019, the Board issued Accounting Standards Update No. 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates. The amendments in Update 2019-10 deferred the effective dates for Leases for entities in the "all other" category by an additional year. Therefore, Leases was to be effective for all other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application is permitted. The deferrals responded to feedback from stakeholders and the Board's monitoring of the implementation of major Updates, which provided a greater understanding of the implementation challenges encountered by all types of entities when adopting a major Update.

In June 2020, the FASB issued Accounting Standards Update No. 2020-05, Financial Instruments—Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for certain entities. The amendments in Update 2020-05 further deferred the effective dates for Leases for entities in the "all other" category by an additional year. Therefore, Leases will be effective for all other entities for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted; however, management has chosen not to early adopt this standard.

2. UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at June 30, 2020:

Unconditional promises to give	$ 40,000
Less: Unamortized discount	(1,912)
Unconditional promises to give, net	$ 38,088

2. UNCONDITIONAL PROMISES TO GIVE - continued

Gross amounts of unconditional promises to be collected in future years is as follows at June 30:

2021	$	30,000
2022		10,000
Thereafter		-
	$	40,000

3. PAYCHECK PROTECTION PROGRAM NOTE

On April 10, 2020, the Organization issued a note with Synovus Bank through the Small Business Administration and the Paycheck Protection Program. The note bears interest of 1% and matures in April 2022. The note has a balance of $42,770 at June 30, 2020 and must be used for payroll costs, employee benefits, mortgage payments, rent, utilities and interest on obligations. The Organization intends to use the proceeds for qualifying expenses. Under the Paycheck Protection Program, certain amounts, up to the entire loan balance, may be forgiven under the terms of the loan. The Organization anticipates the loan will be fully forgiven in 2021 and accordingly has presented the note as a current liability.

4. CONCENTRATIONS

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions whose deposits are insured by the Federal Deposit Insurance Corporation up to $250,000. Deposits may at times exceed the federally insured limits, and credit exposure is limited to deposits at any one institution in excess of this limit. The Organization has not experienced any losses on its cash and cash equivalents. The Organization had $0 in uninsured cash balances as of June 30, 2020.

5. COMPENSATED ABSCENCES

Full time employees of the Organization are granted vacation benefits depending on length of service with the Organization. The Organization does not accrue earned but unused vacation at the end of the year. Management deems any difference between this method and that recommended by accounting principles generally accepted in the United States of America.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31 are available for the following purposes:

Subject to purpose restrictions:		
Youth Mentoring Program	$	20,000
Subject to passage of time::		
2021 and 2022 General Support		20,000
	$	40,000

7. OPERATING LEASE

On April 15, 2019, the Organization signed a five-year lease agreement for its 1,033 square foot operating and corporate office space. Current monthly payments of $2,238 are required under the terms of the lease. Lease payments increase 4.5% annually and the lease matures on April 30, 2024. The Organization has a one-time right to terminate the lease following the third year of the term provided 180 days' notice is provided. The Organization recognizes the impact of straight-lining lease expense over the term of the lease agreement is immaterial to the financial statements as a whole, and current recognition is reasonable and consistent with accounting principles generally accepted in the United States of America.

7. <u>OPERATING LEASE</u> - continued

On June 9, 2020, the Organization signed a first amendment to lease agreement for its operating and corporate office space. The amendment recognizes the deferral of 50% of the rent payments due for July 2020, August 2020 and September 2020 totalling $3,508 shall be add to the final three months of the lease, unless terminated earlier.

Future requirement minimum payments under lease agreements (as amended) are as follows at June 30:

2021	$	24,429
2022		29,548
2023		30,878
2024		30,529
Thereafter		-
	$	115,384

Lease expense under the terms of this lease was $27,160 for the year ended June 30, 2020.

8. <u>DISCLOSURE OF LIQUIDITY INFORMATION</u>

The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date (June 30, 2020).

Financial assets, at end of year	$	199,385
Less those unavailable for general expenditure within one year:		
Subject to satisfaction of donor-imposed restriction		(40,000)
Financial assets to meet the cash needs for general expenditures within one year	$	159,385

9. <u>SUBSEQUENT EVENTS</u>

In accordance with ASC 855, *Subsequent Events*, the Organization’s management has evaluated subsequent events at June 30, 2020 through September 30, 2020, the date these financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements except those presented below.

<u>Global Pandemic</u>

On March 11, 2020, the World Health Organization characterized coronavirus (COVID-19) as a pandemic, and on March 13, the President of the United States declared a national emergency relating to the disease. In addition to the President's declaration, state and local authorities have recommended social distancing and have imposed quarantine and isolation measures on large portions of the population, including mandatory business closures. These measures are designed to protect the overall public health, however are expected to have material adverse impacts on domestic and foreign economies and may result in the United States entering a period of recession.

As a result of COVID-19, there has been heightened market risk and volatility associated with the pandemic, and this could materially affect the Organization’s operations and its level of community support. Because of the uncertainty of the markets during this time, management is unable to estimate the total impact the pandemic will have.

9. SUBSEQUENT EVENTS - continued

Line of Credit

On July 17, 2020, the Organization signed an $85,000 line of credit with Synovus Bank. The revolving line of credit matures on April 14, 2022. The line of credit bears interest at prime plus 0.50%. The Organization has not drawn on the line of credit at time of issuance.