

# **Kansas Big Brothers Big Sisters, Inc.**

Independent Auditor's Reports and Financial Statements

December 31, 2019 and 2018

**Kansas Big Brothers Big Sisters, Inc.**  
**December 31, 2019 and 2018**

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## Independent Auditor's Report

Board of Directors  
Kansas Big Brothers Big Sisters, Inc.  
Wichita, Kansas

### Report on the Financial Statements

We have audited the accompanying financial statements of Kansas Big Brothers Big Sisters, Inc., which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, cash flows and functional expenses 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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.

Board of Directors  
Kansas Big Brothers Big Sisters, Inc.  
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***Opinion***

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

***Emphasis of Matter***

As described in *Note 9* to the financial statements, in 2019, Kansas Big Brothers Big Sisters, Inc. adopted new accounting guidance regarding recognition of revenue with customers. Our conclusion is not modified with respect to this matter.

*BKD, LLP*

Wichita, Kansas  
August 6, 2020

**Kansas Big Brothers Big Sisters, Inc.**  
**Statements of Financial Position**  
**December 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 970,265	\$ 177,187
Receivables	427,942	90,384
Prepaid expenses	12,670	105,996
Contributions receivable	20,550	20,550
Investments	157,375	120,613
Interest in assets of community foundations	509,237	424,207
Property and equipment, net	<u>1,929,743</u>	<u>2,017,179</u>
Total assets	<u>\$ 4,027,782</u>	<u>\$ 2,956,116</u>
 <b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 110,800	\$ 24,533
Accrued wages and related deductions	91,524	59,707
Accrued vacation	58,535	62,339
Deferred revenue	17,500	32,500
Other accrued expenses	<u>3,951</u>	<u>5,182</u>
Total liabilities	<u>282,310</u>	<u>184,261</u>
 <b>Net Assets</b>		
Without donor restrictions		
Undesignated	3,215,685	2,327,098
Board designated	<u>397,939</u>	<u>309,155</u>
Total without donor restrictions	<u>3,613,624</u>	<u>2,636,253</u>
With donor restrictions	<u>131,848</u>	<u>135,602</u>
Total net assets	<u>3,745,472</u>	<u>2,771,855</u>
Total liabilities and net assets	<u>\$ 4,027,782</u>	<u>\$ 2,956,116</u>

**Kansas Big Brothers Big Sisters, Inc.**  
**Statements of Activities**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenue, Gains and Other Support</b>			
Special events			
Special event income	\$ 3,124,493	\$ -	\$ 3,124,493
Special event expenses	(1,277,332)	-	(1,277,332)
Net special events income	1,847,161	-	1,847,161
Contributions	1,986,470	-	1,986,470
Grants	810,882	-	810,882
Investment return (loss)	71,433	17,156	88,589
Other revenue	47,314	-	47,314
Net assets released from restrictions	20,910	(20,910)	-
Total revenue, gains and public support	4,784,170	(3,754)	4,780,416
<b>Expenses</b>			
Program services	2,640,854	-	2,640,854
Supporting services	525,739	-	525,739
Fund raising	640,206	-	640,206
Total expenses	3,806,799	-	3,806,799
<b>Change in Net Assets</b>	977,371	(3,754)	973,617
<b>Net Assets, Beginning of Year</b>	2,636,253	135,602	2,771,855
<b>Net Assets, End of Year</b>	\$ 3,613,624	\$ 131,848	\$ 3,745,472

<b>2018</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 1,501,576	\$ -	\$ 1,501,576
(612,407)	-	(612,407)
<u>889,169</u>	<u>-</u>	<u>889,169</u>
1,881,500	40,637	1,922,137
602,204	-	602,204
(26,247)	(9,316)	(35,563)
74,039	-	74,039
<u>17,406</u>	<u>(17,406)</u>	<u>-</u>
<u>3,438,071</u>	<u>13,915</u>	<u>3,451,986</u>
2,652,545	-	2,652,545
496,737	-	496,737
<u>485,810</u>	<u>-</u>	<u>485,810</u>
<u>3,635,092</u>	<u>-</u>	<u>3,635,092</u>
(197,021)	13,915	(183,106)
<u>2,833,274</u>	<u>121,687</u>	<u>2,954,961</u>
<u>\$ 2,636,253</u>	<u>\$ 135,602</u>	<u>\$ 2,771,855</u>

**Kansas Big Brothers Big Sisters, Inc.**  
**Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Change in net assets	\$ 973,617	\$ (183,106)
Items not requiring (providing) operating cash flow		
Depreciation	88,838	101,246
Net realized and unrealized (gains) losses on investments	(78,821)	37,994
Changes in		
Grant reimbursements receivable	(337,558)	18,715
Prepaid expenses	93,326	(97,041)
Contributions receivable	-	12,568
Accounts payable and accrued expenses	113,049	(25,338)
Deferred revenue	(15,000)	(4,375)
	<b>837,451</b>	<b>(139,337)</b>
<b>Investing Activities</b>		
Purchase of property and equipment	(1,402)	(8,582)
Purchase of investments	(52,138)	(407)
Sale of investments	9,167	164,391
	<b>(44,373)</b>	<b>155,402</b>
<b>Increase in Cash and Cash Equivalents</b>	<b>793,078</b>	<b>16,065</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>177,187</b>	<b>161,122</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 970,265</b>	<b>\$ 177,187</b>



**Kansas Big Brothers Big Sisters, Inc.**  
**Statements of Functional Expenses**  
**Years Ended December 31, 2019 and 2018**

	<b>2019</b>				<b>Total</b>
	<b>Program Services</b>	<b>Supporting Services</b>	<b>Fund Raising</b>	<b>Special Event Expenses</b>	
Salaries and wages	\$ 1,605,509	\$ 305,916	\$ 488,833	\$ -	\$ 2,400,258
Employee benefits	313,209	58,921	79,300	-	451,430
Total salaries, wages and related expenses	1,918,718	364,837	568,133	-	2,851,688
Equipment and supplies	87,626	114	324	9,349	97,413
Group activities and volunteer appreciation	14,056	-	1,567	376,583	392,206
Training	72,236	3,046	38,066	284,882	398,230
Contract services and employment costs	27,866	-	-	-	27,866
Occupancy	288,296	43,641	24,352	-	356,289
Advertising	20,635	-	439	190,355	211,429
Insurance	56,275	-	-	-	56,275
Printing	18,144	-	-	10,768	28,912
Other professional fees	86,847	24,584	5,250	403,577	520,258
Postage	8,754	679	2,075	1,818	13,326
National dues	41,401	-	-	-	41,401
Interest	-	-	-	-	-
Depreciation	-	88,838	-	-	88,838
Total expenses	<u>\$ 2,640,854</u>	<u>\$ 525,739</u>	<u>\$ 640,206</u>	<u>\$ 1,277,332</u>	<u>\$ 5,084,131</u>

**2018**

<b>Program Services</b>	<b>Supporting Services</b>	<b>Fund Raising</b>	<b>Special Event Expenses</b>	<b>Total</b>
\$ 1,610,622	\$ 255,440	\$ 345,337	\$ 68,945	\$ 2,280,344
352,329	51,734	76,688	2,436	483,187
1,962,951	307,174	422,025	71,381	2,763,531
85,660	297	2,876	15,250	104,083
10,983	-	1,155	211,597	223,735
90,776	3,364	27,600	71,385	193,125
44,280	37	-	-	44,317
217,987	62,063	30,211	-	310,261
38,832	1,394	567	159,696	200,489
55,242	-	-	-	55,242
4,510	-	221	11,288	16,019
99,027	21,006	993	71,512	192,538
13,831	332	162	298	14,623
28,466	-	-	-	28,466
-	(176)	-	-	(176)
-	101,246	-	-	101,246
<u>\$ 2,652,545</u>	<u>\$ 496,737</u>	<u>\$ 485,810</u>	<u>\$ 612,407</u>	<u>\$ 4,247,499</u>

# **Kansas Big Brothers Big Sisters, Inc.**

## **Notes to Financial Statements**

**December 31, 2019 and 2018**

### **Note 1: Nature of Operations and Summary of Significant Accounting Policies**

#### ***Nature of Operations***

Kansas Big Brothers Big Sisters, Inc. (Organization) is a not-for-profit organization whose mission is to create and support one-to-one mentoring relationships that ignite power and promise of youth. The principal activities of the Organization are to recruit, screen and monitor adult volunteers to serve as mentors for children who are considered at-risk. The Organization's revenues and other support are derived from contributions and federal and state grants. The Organization is statewide covering 100/105 Kansas counties in 14 hub communities and serves nearly 2,200 children each year. Each agency develops a community leadership council comprised of local residents who provide advice and support to Kansas Big Brothers Big Sisters, Inc.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers and certificates of deposit.

#### ***Investments and Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

# Kansas Big Brothers Big Sisters, Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

### **Receivables**

Accounts receivable are stated at the amount of consideration from customers, of which the Organization has an unconditional right to receive plus any accrued and unpaid interest. The Organization provides an allowance for doubtful accounts and pledges, as needed, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are ordinarily due upon receipt of the invoice. Delinquent receivables are written off based on individual evaluation and specific circumstances.

### **Property and Equipment**

Property and equipment are carried at cost if purchased less accumulated depreciation. Management's policy is to capitalize any property and equipment that has a cost or value in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful life of the asset. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	39 years
Leasehold improvements	15 years
Furniture and equipment	3 - 10 years

### **Long-lived Asset Impairment**

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended December 31, 2019 and 2018.

### **Net Assets**

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# **Kansas Big Brothers Big Sisters, Inc.**

## **Notes to Financial Statements**

**December 31, 2019 and 2018**

### ***Contributions***

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

### ***Revenue Recognition – Grants***

Revenue from grant programs is recognized on a pro-rata basis over the term of the grant as services required by the grants are provided. Revenue recognized in excess of grant funds received are recorded as grants receivable. Funds received in excess of revenue recognized are recorded as deferred revenue. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

### ***Deferred Revenue***

Revenue from grant funds received but not yet extended for their contractual purpose is deferred and recognized in the period when the contractual purpose is met.

**Kansas Big Brothers Big Sisters, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

***Donated Services and Materials***

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed materials are recognized as revenue at their estimated fair value at the date of gift. For the years ended December 31, 2019 and 2018, contributed materials of \$532,981 and \$307,331 were received, respectively. In addition, the Organization receives donated services from various unpaid volunteers. These amounts have not been recognized in the accompanying statements of activities because either the criteria for recognition of such volunteer efforts have not been satisfied or the value of contributed services was not material to the financial statements.

***Income Taxes***

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. Federal jurisdiction.

***Functional Allocation of Expenses***

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated to the program services and supporting services benefited based on time expended, usage and other methods.

**Note 2: Concentration of Credit Risk**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and investments. The Organization places its cash in a high quality credit institution. At times, such cash may be in excess of the FDIC insurance limit.

**Note 3: Fair Value Measurements and Disclosures**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

**Level 1** Quoted prices in active markets for identical assets or liabilities

# Kansas Big Brothers Big Sisters, Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

**Level 2** 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 for substantially the full term of the assets or liabilities

**Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

### Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019 and 2018:

	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2019</b>				
<b>Investments</b>				
Money market funds	\$ 79,395	\$ 79,395	\$ -	\$ -
Mutual funds - domestic	25,848	25,848	-	-
Life annuity contract	52,132	-	-	52,132
Total investments in the fair value hierarchy	<u>\$ 157,375</u>	<u>\$ 105,243</u>	<u>\$ -</u>	<u>\$ 52,132</u>
<b>Interest in Assets of Community Foundations</b>				
Central Kansas Community Foundation	\$ 55,866	\$ -	\$ 55,866	\$ -
Legacy Regional Community Foundation	11,084	-	11,084	-
Greater Salina Community Foundation	27,409	-	27,409	-
Greater Manhattan Community Foundation	267,383	-	267,383	-
Topeka Community Foundation	123,310	-	123,310	-
Wichita Community Foundation	24,185	-	24,185	-
	<u>\$ 509,237</u>	<u>\$ -</u>	<u>\$ 509,237</u>	<u>\$ -</u>

# Kansas Big Brothers Big Sisters, Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

	Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>December 31, 2018</b>				
<b>Investments</b>				
Money market funds	\$ 32,055	\$ 32,055	\$ -	\$ -
Mutual funds - domestic	20,487	20,487	-	-
Life annuity contract	52,132	-	-	52,132
Total investments in the fair value hierarchy	104,674	52,542	-	52,132
 Certificates of deposit	 15,939	 -	 -	 -
	<b>\$ 120,613</b>	<b>\$ 52,542</b>	<b>\$ -</b>	<b>\$ 52,132</b>
 <b>Interest in Assets of Community Foundations</b>				
Central Kansas Community Foundation	\$ 49,355	\$ -	\$ 49,355	\$ -
Legacy Regional Community Foundation	9,349	-	9,349	-
Greater Salina Community Foundation	22,537	-	22,537	-
Greater Manhattan Community Foundation	227,406	-	227,406	-
Topeka Community Foundation	103,761	-	103,761	-
Wichita Community Foundation	11,799	-	11,799	-
	<b>\$ 424,207</b>	<b>\$ -</b>	<b>\$ 424,207</b>	<b>\$ -</b>

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.



**Kansas Big Brothers Big Sisters, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

***Investments***

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

***Interest in Assets Held in Community Foundations***

The Organization has a beneficial interest in an investment fund held by various community foundations (the Foundations). The beneficial interest was created in prior years by contributions to the Foundations in which the contribution, and related earnings, were designated for the Organization. The investments are diversified portfolios consisting of money market funds, marketable equity securities, fixed income securities and mutual funds. The investment funds are in the possession of the Foundations. The Foundations administer and manage the investment fund. All of the securities in the portfolios are priced based on observable inputs. Due to the nature of the valuation inputs, the interest is classified within Level 2 of the hierarchy.

***Life Annuity Contracts***

Investment value based on the surrender value of the contract and valued within Level 3 of the hierarchy.

***Unobservable (Level 3) Inputs***

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements at December 31, 2019 and 2018.

	<b>Fair Value</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted Average)</b>
<b>December 31, 2019</b>				
Life annuity contract	\$ 52,132	Surrender value	Surrender value	None
<b>December 31, 2018</b>				
Life annuity contract	\$ 52,132	Surrender value	Surrender value	None

**Kansas Big Brothers Big Sisters, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 4: Contributions Receivable**

Contributions receivable with donor restrictions were comprised of the following:

	<b>2019</b>	<b>2018</b>
Due within one year	\$ 10,000	\$ 5,000
Due in one to five years	15,000	20,000
	25,000	25,000
Less		
Allowance for uncollectible	(2,283)	(2,283)
Unamortized discount	(2,167)	(2,167)
	<u>\$ 20,550</u>	<u>\$ 20,550</u>

Discount rate was 4.75% for 2019 and 2018.

**Note 5: Property and Equipment**

Property and equipment at December 31 are comprised of the following:

	<b>2019</b>	<b>2018</b>
Buildings and leasehold improvements	\$ 2,865,185	\$ 2,865,185
Furniture and equipment	584,575	583,175
	3,449,760	3,448,360
Less accumulated depreciation	(1,520,017)	(1,431,181)
	<u>\$ 1,929,743</u>	<u>\$ 2,017,179</u>

**Note 6: Line of Credit**

The Organization has a \$500,000 revolving line of credit, dated June 1, 2015, with an expiration date of June 1, 2020. The advances carry an interest rate equal to the Wall Street Journal Prime Rate plus 0.5%, with an effective rate of 5.25% and 6.00%, and there were no borrowings against the line at December 31, 2019 and 2018. The credit line is collateralized by the real property of the Organization located in Sedgwick County, Kansas under a security agreement dated June 1, 2015.

Subsequent to year end, the line of credit was reduced to \$375,000 and extended through June 1, 2022.

**Kansas Big Brothers Big Sisters, Inc.**  
**Notes to Financial Statements**  
**December 31, 2019 and 2018**

**Note 7: Net Assets With Donor Restrictions**

***Net Assets With Donor Restrictions***

Net assets with donor restrictions at December 31 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purposes		
Promises to give, the proceeds from which have been restricted by donors	\$ 20,550	\$ 20,550
	<u>20,550</u>	<u>20,550</u>
Endowments		
Subject to endowment spending policy and appropriation	31,959	22,232
Donor restricted funds to be held in perpetuity	79,339	92,820
	<u>111,298</u>	<u>115,052</u>
Total endowments	111,298	115,052
	<u>\$ 131,848</u>	<u>\$ 135,602</u>

***Net Assets Released from Restrictions***

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions	\$ 17,192	\$ 15,218
Restricted-purpose spending policy and appropriation	3,718	2,188
	<u>\$ 20,910</u>	<u>\$ 17,406</u>

# Kansas Big Brothers Big Sisters, Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

### Note 8: Endowment

The Organization's governing body has interpreted the *State of Kansas Uniform Prudent Management of Institutional Funds Act* (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net asset to net asset without donor restrictions.

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

1. Duration and preservation of the fund
2. Purposes of the Organization and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Organization
7. Investment policies of the Organization

The Organization's endowment consists of funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The composition of net assets by type of endowment fund at December 31, 2019 and 2018, was:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Board-restricted endowment funds	\$ 397,939	\$ -	\$ 397,939
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	79,339	79,339
Accumulated investment gains	-	31,959	31,959
Total	\$ 397,939	\$ 111,298	\$ 509,237

# Kansas Big Brothers Big Sisters, Inc.

## Notes to Financial Statements

December 31, 2019 and 2018

	<b>2018</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Board-restricted endowment funds	\$ 309,155	\$ -	\$ 309,155
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	92,820	92,820
Accumulated investment gains	-	22,232	22,232
 Total	 \$ 309,155	 \$ 115,052	 \$ 424,207

Changes in endowment net assets for the years ended December 31, 2019 and 2018, were:

	<b>2019</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 309,155	\$ 115,052	\$ 424,207
Investment return, net	64,777	17,156	81,933
Contributions	11,006	-	11,006
Appropriation of endowment net assets for expenditure	(4,191)	(3,718)	(7,909)
Other release of restriction	17,192	(17,192)	-
Endowment net assets, end of year	\$ 397,939	\$ 111,298	\$ 509,237

	<b>2018</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 69,889	\$ 85,919	\$ 155,808
Investment return, net	(27,098)	(9,316)	(36,414)
Contributions		40,637	40,637
Appropriation of endowment net assets for expenditure	-	(2,188)	(2,188)
Other changes			
Transfer of board designated funds	389,483	-	389,483
Distributions of board designation of endowment funds	(123,119)	-	(123,119)
Endowment net assets, end of year	\$ 309,155	\$ 115,052	\$ 424,207

**Kansas Big Brothers Big Sisters, Inc.**  
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***Investment and Spending Policies***

The Organization's investment policy has set forth three main objectives (in order of importance): (1) preservation of capital, (2) maintaining liquidity, and (3) earning a positive return on investment.

The Organization is subject to the spending policy of various community foundations. Earnings on these funds are accrued for the benefit of the Organization, and the Organization is entitled to an annual distribution of the earnings. The Organization is in the process of adopting its spending policy for the funds.

***Underwater Endowments***

The governing body of the Organization has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Organization has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the Organization is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. There were no such deficiencies of this nature at December 31, 2019 and 2018.

**Note 9: Revenue from Contracts with Customers**

***Change in Accounting Principle***

On January 1, 2019, the Organization adopted the Financial Accounting Standards Board Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606), (ASU 2014-09) using a modified retrospective method of adoption to all contracts with customers at January 1, 2019.

The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the Organization expects to be entitled in exchange for those goods or services.

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The amount to which the Organization expects to be entitled is calculated as the transaction price and recorded as revenue in exchange for providing goods or services.

Adoption of ASU 2014-09 resulted in changes in presentation of financial statements and related disclosures in the notes to the financial statements.

***Sponsorship Revenue***

Performance obligations are determined based on events conducted by the Organization in accordance with the contract. Revenue for performance obligations satisfied at a point in time is recognized when events occur, and the Organization does not believe it is required to provide additional goods or services related to that contract.

For some events, sponsorship contracts include elements of both contributions and exchange transactions. In cases where a clear distinction can be made, contributions are recorded as revenue at the date of donation and sponsorship revenue is recognized when the event occurs as noted above.

***Transaction Price and Recognition***

The Organization determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Organization's policy and implicit price concessions provided to customers. The Organization determines its estimates of explicit price concessions based on its discount policies. The Organization determines its estimate of implicit price concessions based on its historical collection experience with this class of customers.

Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to revenue in the period of the change. For the years ended December 31, 2019 and 2018, no changes were made.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers that have different reimbursement and payment methodologies
- Geography of the event location

For the years ended December 31, 2019 and 2018, the Organization recognized revenue of \$887,228 and \$434,778, respectively, from goods and services that transfer to the customer at a point in time and included with special events income on the Statements of Activities.

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**Note 10: Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2019, comprise the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end		
Cash	\$ 970,265	\$ 177,187
Grant reimbursements receivable	427,942	90,384
Contributions receivable	20,550	20,550
Investments	<u>666,612</u>	<u>544,820</u>
Total financial assets	<u>2,085,369</u>	<u>832,941</u>
Donor-imposed restrictions		
Restricted funds	20,550	20,550
Endowments	<u>111,298</u>	<u>115,052</u>
Net financial assets after donor-imposed restrictions	<u>1,953,521</u>	<u>697,339</u>
Internal designations		
Board designated	<u>397,939</u>	<u>309,155</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,555,582</u>	<u>\$ 388,184</u>

The Organization's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$397,939 is subject to an annual spending policy of various community foundations described in *Note 8*. To help manage unanticipated liquidity needs, the Organization has committed lines of credit in the amount of \$500,000, (\$375,000 effective June 1, 2020), which it could draw upon.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days operating expenses. The Organization has a policy to target a year-end balance of reserves of unrestricted, undesignated net assets to meet 30 days of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity daily and monitors its reserves quarterly. During the years ended December 31, 2019 and 2018, the level of liquidity and reserves was managed within the policy requirements.



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**Note 11: Pension and Other Post Retirement Benefit Plans**

The Organization has a contributory pension plan that covers all employees over the age of 21 who have worked at the Organization for at least one year and who have worked no less than 1,000 hours throughout the plan year. The Organization’s contributions to the plan are equal to 50% of employee contributions, not to exceed 3.0% of compensation paid to eligible participants during the plan year. At December 31, 2019 and 2018, pension expense was \$20,293 and \$21,751, respectfully.

**Note 12: Operating Leases**

The Organization leases office equipment and office facilities under operating leases which expire at various times throughout the next few years. The Organization also leases various office facilities on a month-to-month basis.

Future minimum lease payments at December 31 were:

2020	\$ 145,043
2021	62,619
2022	23,742
2023	<u>8,390</u>
Total	<u>\$ 239,794</u>

Rental expense for all operating leases totaled \$206,650 and \$185,472 for the years ended December 31, 2019 and 2018, respectively.

**Note 13: Subsequent Events**

Subsequent events have been evaluated through August 6, 2020, which is the date the financial statements were available to be issued.

In March 2020, both local and state governmental entities issued orders in connection with the COVID-19 outbreak. Such orders mandated the closure of the Organization’s facilities and programs. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Closing have impacted the fundraising efforts of the Organization with the cancellation of the largest fundraiser of the 2020 fiscal year which results in a loss of approximately \$650,000 in special events revenues. Therefore, the Organization expects this matter to negatively impact its operating results in 2020. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors, all of which are uncertain and cannot be predicted. The extent to which COVID-19 may impact our financial condition or results of operations cannot be reasonably estimated at this time. To offset payroll, rent and utility expenses during the COVID-19 outbreak, the Organization applied to receive a loan of approximately \$510,000 under the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)* with a third-party lender which was approved in April 2020.