

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

Assets	2019	2018
Current Assets		
Cash and cash equivalents	\$ 199,871	\$ 160,309
Restricted cash	10,104	8,095
Prepaid insurance	5,171	4,856
Total current assets	<u>215,146</u>	<u>173,260</u>
Property and Equipment		
Property and equipment	643,605	643,605
Less accumulated depreciation	<u>(338,242)</u>	<u>(308,387)</u>
Total property and equipment	<u>305,363</u>	<u>335,218</u>
Other Assets		
Beneficial interest in Black Hills Community Foundation	270,055	225,401
Investment securities	<u>40,129</u>	<u>39,465</u>
Total other assets	<u>310,184</u>	<u>264,866</u>
Total assets	<u>\$ 830,693</u>	<u>\$ 773,344</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,412	\$ 2,634
Accrued vacation	<u>13,312</u>	<u>15,606</u>
Total current liabilities	<u>15,724</u>	<u>18,240</u>
Net Assets		
With donor restrictions	<u>10,104</u>	<u>49,494</u>
Without donor restrictions:		
Board Designated - Black Hills Area Community Foundation	270,055	225,401
Undesignated	<u>534,810</u>	<u>480,209</u>
Total net assets without donor restrictions	<u>804,865</u>	<u>705,610</u>
Total net assets	<u>814,969</u>	<u>755,104</u>
Total liabilities and net assets	<u>\$ 830,693</u>	<u>\$ 773,344</u>

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

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Contributions	\$ 206,541	\$ 3,100	\$ 209,641	\$ 129,215
Grant revenue	12,900	-	12,900	96,500
United Way allocations	69,399	-	69,399	72,800
Special events	161,788	-	161,788	173,881
Miscellaneous	2,981	-	2,981	-
Total Public Support	<u>453,609</u>	<u>3,100</u>	<u>456,709</u>	<u>472,396</u>
Revenues:				
Contract services	71,906	-	71,906	37,382
Investment income (loss)	45,295	8	45,303	(15,067)
Total Revenues	<u>117,201</u>	<u>8</u>	<u>117,209</u>	<u>22,315</u>
Total public support and revenues	<u>570,810</u>	<u>3,108</u>	<u>573,918</u>	<u>494,711</u>
EXPENSES				
Program service	368,971	-	368,971	408,290
Management & general	42,800	-	42,800	42,795
Fundraising	102,282	-	102,282	92,928
Total expenses	<u>514,053</u>	<u>-</u>	<u>514,053</u>	<u>544,013</u>
Reclassification of net assets:				
Net assets released from restrictions in satisfaction of purpose restrictions	<u>42,498</u>	<u>(42,498)</u>	<u>-</u>	<u>-</u>
Change in net assets	99,255	(39,390)	59,865	(49,302)
Net assets - beginning of year	<u>705,610</u>	<u>49,494</u>	<u>755,104</u>	<u>804,406</u>
Net assets - end of year	<u>\$ 804,865</u>	<u>\$ 10,104</u>	<u>\$ 814,969</u>	<u>\$ 755,104</u>

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

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2019
 WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

	2019				2018 Total
	Program Service	General and Administrative	Fundraising	Total	
Salary and wages	\$ 246,774	\$ 13,544	\$ 53,068	\$ 313,386	\$ 334,510
Depreciation	29,855	-	-	29,855	29,618
Payroll taxes	17,440	957	3,750	22,147	28,015
Insurance	15,744	4,935	4,278	24,957	21,655
Events and campaigns	1,611	-	18,846	20,457	19,365
Professional fees	7,150	4,563	7,676	19,389	14,130
Marketing and recruitment	7,967	2,440	5,142	15,549	19,264
Organizational dues	-	13,300	-	13,300	10,347
Utilities	7,409	499	1,911	9,819	8,689
Maintenance	6,426	-	3,215	9,641	6,889
Staff development	6,665	72	1,072	7,809	9,033
Employee benefits	5,662	311	1,217	7,190	6,916
Supplies	5,028	-	1,726	6,754	6,054
Food	4,494	-	-	4,494	6,683
Bank credit card charges	3,008	254	381	3,643	1,169
Rent	-	1,925	-	1,925	-
Postage	1,760	-	-	1,760	2,571
Travel	1,555	-	-	1,555	2,068
Recognition awards	423	-	-	423	1,053
Miscellaneous	-	-	-	-	15,379
Printing	-	-	-	-	605
Total expenses	\$ 368,971	\$ 42,800	\$ 102,282	\$ 514,053	\$ 544,013

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

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 59,865	\$ (49,302)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	29,855	29,618
Unrealized (gain) loss on investments	(35,536)	22,206
(Increase) decrease in:		
Prepaid insurance	(315)	7,769
Increase (decrease) in:		
Accounts payable	(222)	(3,184)
Accrued vacation	(2,294)	3,471
Net cash provided by operating activities	<u>51,353</u>	<u>10,578</u>
Cash Flows From Investing Activities		
Purchase of equipment	-	(4,721)
Purchase of investments through reinvestment of investment income	(9,782)	(7,110)
Purchase of investments in Black Hills Area Community Foundation	-	(100,000)
Net cash (used in) investing activities	<u>(9,782)</u>	<u>(111,831)</u>
Change in Cash and Cash Equivalents	41,571	(101,253)
Cash and Cash Equivalents, beginning of year	<u>168,404</u>	<u>269,657</u>
Cash and Cash Equivalents, end of year	<u>\$ 209,975</u>	<u>\$ 168,404</u>

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

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Big Brothers Big Sisters of the Black Hills, Inc. (the Organization) is a not-for-profit corporation organized under the laws of South Dakota. The Organization provides quality volunteer and professional contract mentoring services in the Black Hills area, on a one-to-one basis for youth with limited parental support to assist them in achieving their highest potential as they become responsible adults. The Organization is supported primarily through grants, contributions and revenues from contract mentoring services.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

For financial statement reporting purposes, the Organization includes all cash accounts not subject to withdrawal restrictions or penalties, treasury bills, commercial paper and money market funds with a maturity of three months or less when purchased to be cash equivalents. Certificates of deposit, regardless of maturity, are not considered to be cash and cash equivalents.

Investments

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.

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Investments, continued

If a fair value is not readily determinable, investments are recorded at cost, net of the valuation allowance.

Fair Value Measurements

The Organization defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The Organization also adopted a fair value hierarchy, which prioritizes inputs into three broad levels:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset either directly or indirectly. Level 2 Inputs include the following:

- Quoted prices for similar Assets or Liabilities in active markets;
- Quoted prices for similar Assets or Liabilities in markets that are not active;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

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

Level 3 Inputs are unobservable inputs for the asset or liability.

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Property and Equipment

Purchased property and equipment in excess of \$1,000 are recorded at cost. Donated property and equipment is valued at estimated fair value on the date donated and are reported as contributions without restrictions when placed in service unless the donor has restricted the use for the asset to a specific purpose or time period. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor, unless the donor has also required that the acquired asset be used for a specific purpose or time period. If the donor requires property and equipment to be used for a specific purpose, restrictions on net assets are released as the asset is depreciated. If the donor requires property and equipment to be used for a specific time period, restrictions on net assets are released evenly over the period required.

Costs in excess of \$1,000 for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Costs for maintenance and repairs are charged to expense currently. When depreciable properties are retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method. The estimated useful lives used in the computation of depreciation are as follows:

	Years
Buildings and Improvements	5-30
Furniture and Equipment	5-7

Net Assets

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

- *Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Net Assets, continued

- *Net Assets With Donor Restrictions* – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires

Contributions

The Organization's contributions are recognized as support when they are received or unconditionally pledged and are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and nature of any donor restrictions. Contributions required to be reported as net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose restrictions.

Donated Services and In-Kind Support

The Organization may receive services and equipment without payment or compensation. Contributions of non-cash goods and services, such as advertising, are recorded at the estimated fair value on the date of the contribution. Contributions of services that (1) create or enhance non-financial assets or those that require specialized skills, (2) are provided by individuals possessing those skills, and (3) would typically need to be purchased if not provided by donation are recorded at their fair value in the period received.

For the year ended December 31, 2019, no donated services were recognized as revenue. Board members and other volunteers have contributed a significant amount of time to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services since they do not meet the criteria for recognition.

Compensated Absences

Vacation leave is accumulated by employees throughout the year. Employees are entitled to receive compensation for unused amounts upon termination.

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of program services and supporting activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Income Taxes

The Organization is organized as a nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. LIQUIDITY AND AVAILABILITY

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

Cash and cash equivalents	\$ 199,871
Distributions from beneficial interests	
in assets held by others	3,321
Investment securities	40,129
	<u>\$243,321</u>

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

3. DEPOSIT CREDIT RISK

The Organization maintains cash balances in several local financial institutions. The accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At times throughout the year, the Organization's balances may exceed the FDIC limit. As of December 31, 2019, the Organization's bank balances were fully insured.

4. PROPERTY AND EQUIPMENT

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

Buildings and improvements	\$ 560,259
Furniture and equipment	<u>83,346</u>
	643,605
Less accumulated depreciation	<u>(338,242)</u>
	<u><u>\$ 305,363</u></u>

5. INVESTMENTS

The cost and fair value of investment securities is as follows:

	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized (Losses)</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 44,256</u>	<u>\$ -</u>	<u>\$ (4,142)</u>	<u>\$ 40,114</u>
	<u><u>\$ 44,256</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (4,142)</u></u>	<u><u>\$ 40,114</u></u>

The investment return consists of the following components:

Interest earned and dividends received	\$ 4,473
Unrealized appreciation in fair value of marketable securities	35,536
Realized gain on investment transactions	<u>5,294</u>
	<u><u>\$ 45,303</u></u>

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

6. FAIR VALUE OF ASSETS AND LIABILITIES

The Organization measures investment securities at fair value on a recurring basis. The related fair values of these assets are determined as follows:

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	<u> </u>	<u> </u>	<u> </u>
Mutual funds	\$ 40,114	\$ -	\$ -
Interest in Black Hills Area Community Foundation	<u>-</u>	<u>-</u>	<u>270,055</u>
	<u>\$ 40,114</u>	<u>\$ -</u>	<u>\$ 270,055</u>

The fair value of fixed income mutual funds and equity mutual funds are determined by reference to quoted market prices. The Organization used Net Asset Value (NAV) or its equivalent to estimate the fair value of the Interest in Black Hills Area Community Foundation which does not have a readily determinable fair value. Investments valued at NAV are classified within Level 2 if the Organization has the ability to redeem the investment at NAV per share, or its equivalent, at the measurement date or within the near term; otherwise, the investment is classified within Level 3. A reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2019 is presented in Note 7.

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

Beneficial interest in assets are held in a Black Hills Area Community Foundation (BHACF) operational fund. This fund was established by the Organization in 2017 for the benefit of the Organization. The fair value of the fund was \$270,055 at December 31, 2019.

Variance power was granted to the BHACF to allow the right to modify any restriction or condition on the distribution of the funds for any specified charitable purposes or to specified organizations, if in the sole judgment of the governing body of BHACF, such restrictions or conditions become, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the Black Hills area. The fund is the exclusive property of the BHACF and the BHACF has full authority and discretion as to the investment and reinvestment of the assets. The BHACF values securities and other financial instruments on a fair value basis of accounting.

Distributions from the funds shall be in accordance with the spending policies established by the Board of BHACF and shall be paid and distributable at least annually, or more frequently, as the parties may from time to time agree.

In addition to the operational funds noted above, BHACF also holds additional investments for the Organization with a fair value of \$1,160,448 as of December 31, 2019. These funds are not recognized in the accompanying financial statements, in accordance with generally accepted accounting principles, as the related investments were initially donated, for the benefit of the Organization, directly to BHACF by the respective donors. These funds are also subject to the distribution policies as described above.

The BHACF operational funds are established to hold investments in a pooled investment fund to yield more favorable investment returns. The investment and spending policies, as well as the rate of return strategies, of these funds are determined by BHACF. Net assets associated with the operational funds are classified and reported as a separate category of net assets without donor restrictions as transfers to the funds are irrevocable. The net asset composition of the operational funds and changes in fund balance are as follows:

Beginning operational fund net assets	\$ 225,401
Appropriation of operational assets for expenditure	<u>44,654</u>
Ending operational fund net assets	<u>270,055</u>
Net assets without donor restrictions	<u>\$ 270,055</u>

BIG BROTHERS BIG SISTERS OF THE BLACK HILLS, INC.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

8. NET ASSETS

Net assets at December 31, 2019, consist of the following:

Without Donor Restrictions:

Black Hills Area Community Foundation	\$ 270,055
Undesignated	<u>534,810</u>
Total net assets without donor restrictions	<u>804,865</u>

With Donor Restrictions:

Subject to expenditure for a specified purpose:

Restricted for maintaining the office building	<u>10,104</u>
Total net assets with donor restrictions	<u>10,104</u>

Total net assets	<u>\$ 814,969</u>
------------------	-------------------

9. RETIREMENT PLAN

The Organization has established a SIMPLE IRA retirement plan (the "Plan") covering all employees of the Organization after one year of service. The Plan allows for discretionary employee contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code.

The Organization will match each employee's contribution up to 3% of gross wages. For the year ended December 31, 2019, the Organization contributed \$7,190 to the Plan.

10. SUBSEQUENT EVENTS

The Organization's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 (COVID-19) which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Organization's financial position, operations and cash flows. Possible effects may include, but are not limited to, disruption in the Organization's services provided and revenue, absenteeism in the Organization's labor workforce, unavailability of products and supplies used in operations, and a decline in value of assets held by the Organization, including property and equipment and marketable securities.