

**BIG BROTHERS BIG SISTERS
OF
GREATER CHATTANOOGA**

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2021

**JOHNSON, MURPHEY & WRIGHT, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHATTANOOGA, TENNESSEE**

I. INTRODUCTORY SECTION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Table of Contents
December 31, 2021

	Page
I. INTRODUCTORY SECTION	
Table of Contents	i
Roster of Officers and Board of Directors	ii
II. FINANCIAL SECTION	
Independent Auditor's Report	1-3
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8-17
Supplemental Information	
Comparative Schedule of Financial Position	18
Comparative Schedule of Activities	19
Comparative Schedule of Functional Expenses	20

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Roster of Officers and Board of Directors
December 31, 2021

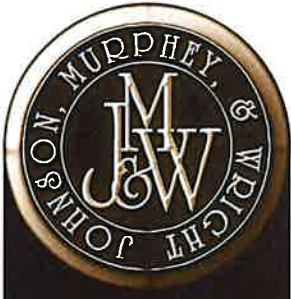
Officers

Tory Johnston, President
Tara Wiese, Vice President
Terryl James, Secretary
Austin Cone, Treasurer
Barret Albritton, Past-President

Board of Directors

Chip Allen
Jack Bowen
Kimberly Bowen
Talley Carroll
Mitch Collins
Brandon Deering
Robert Divine
Gail Iles
Susan McGehee
Shelby Montague
Erich Murray
Jose Otero
Tawambi Settles
Tracey Smith
Claire Stout
Ricky Thomas
Rashaad Williams

II. FINANCIAL SECTION



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Accountants

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Paul Johnson, III, CPA

Brian T. Wright, CPA

Karen Hutcherson, CPA

Marianne Greene, CPA

Stuart Johnson, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Big Brothers Big Sisters of Greater Chattanooga

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Greater Chattanooga, which comprise the Statement of Financial Position as of December 31, 2021, and the related Statements of Activities, Cash Flows, and Functional Expenses for the year 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 Greater Chattanooga as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit 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 Greater Chattanooga and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Greater Chattanooga'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 misstatements, 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 the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Greater Chattanooga'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Greater Chattanooga'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplemental Information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Johnson, Murphey & Wright, P.C.

Chattanooga, Tennessee
February 18, 2022

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Financial Position
December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 346,115	\$ -	\$ 346,115
Investments	1,522,838	996,398	2,519,236
Accounts receivable	101,146	-	101,146
Total current assets	1,970,099	996,398	2,966,497
Non-current assets			
Cash surrender value of life insurance	20,265	-	20,265
Property and equipment - net	32,184	-	32,184
Total non-current assets	52,449	-	52,449
TOTAL ASSETS	\$ 2,022,548	\$ 996,398	\$ 3,018,946
LIABILITIES AND NET ASSETS			
Liabilities			
Current liabilities			
Accounts payable	\$ 17,897	\$ -	\$ 17,897
Payroll withholding and other liabilities	70	-	70
Accrued compensated absences	25,654	-	25,654
Note payable	150,000	-	150,000
Total liabilities	193,621	-	193,621
Net assets			
Without donor restrictions:			
Undesignated	281,393	-	281,393
Board-designated	1,547,534	-	1,547,534
With donor restrictions	-	996,398	996,398
Total net assets	1,828,927	996,398	2,825,325
TOTAL LIABILITIES AND NET ASSETS	\$ 2,022,548	\$ 996,398	\$ 3,018,946

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 790,477	\$ -	\$ 790,477
PPP grant revenue	112,978	-	112,978
United Way	135,279	-	135,279
In-kind revenue	1,920	-	1,920
Other income	10,000	-	10,000
Special event revenue	171,635	-	171,635
Less: costs of direct benefits to donors	(20,015)	-	(20,015)
Investment return, net	370,540	-	370,540
Total revenues, gains and other support	1,572,814	-	1,572,814
EXPENSES			
Program service			
Mentor	917,601	-	917,601
Supporting services			
Management and general	134,116	-	134,116
Fund-raising	73,435	-	73,435
Total supporting services	207,551	-	207,551
Total expenses	1,125,152	-	1,125,152
Change in net assets	447,662	-	447,662
Net assets - beginning	1,381,265	996,398	2,377,663
Net assets - end	\$ 1,828,927	\$ 996,398	\$ 2,825,325

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Functional Expenses
Year Ended December 31, 2021

	Program	Supporting Services		Total
	Service	Management	Fund-	
	Mentor	and General	Raising	
EXPENSES				
Salaries	\$ 540,080	\$ 43,672	\$ 60,047	\$ 643,799
Payroll taxes	39,423	3,188	4,383	46,994
Employee benefits	80,990	6,548	9,005	96,543
Activity	25,229	-	-	25,229
Conferences	12,759	-	-	12,759
Depreciation	3,456	-	-	3,456
Dues and licenses	2,998	-	-	2,998
In-kind expense	1,920	-	-	1,920
Insurance	29,518	2,538	-	32,056
Local travel	2,246	-	-	2,246
Miscellaneous	2,369	-	-	2,369
Occupancy	12,636	-	-	12,636
Payments to National	24,055	-	-	24,055
Postage	2,093	-	-	2,093
Professional and contract fees	-	78,170	-	78,170
Programs	17,544	-	-	17,544
Recruiting	21,362	-	-	21,362
Repairs and maintenance	892	-	-	892
Scholarships	47,400	-	-	47,400
Supplies	34,957	-	-	34,957
Telephone	15,674	-	-	15,674
Total expenses	\$ 917,601	\$ 134,116	\$ 73,435	\$ 1,125,152

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Cash Flows
Year Ended December 31, 2021

Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ 447,662
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	3,456
Net realized and unrealized losses (gains) on investments	(505,396)
Cash surrender value of life insurance	(1,218)
(Increase) decrease in account receivable	(33,815)
Increase (decrease) in accounts payable	3,998
Increase (decrease) in payroll withholding and other liabilities	(5,941)
Increase (decrease) in compensated absences	<u>5,207</u>
Net cash provided (used) by operating activities	<u>(86,047)</u>
Cash Flows from Investing Activities	
Proceeds from sales of investments	97,794
Purchase of equipment	<u>(11,830)</u>
Net cash provided (used) by investing activities	<u>85,964</u>
Net increase (decrease) in cash	(83)
Cash - beginning	<u>346,198</u>
Cash - end	<u>\$ 346,115</u>

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Notes to Financial Statements
December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

A. Nature of Activities

Big Brothers Big Sisters of Greater Chattanooga provides adult companionship, guidance, and role models to children and youth who lack the companionship and guidance due to a missing parent. The Entity also offers limited financial assistance for college tuition to qualified youth associated with the program. Contributions provide the majority of the Entity's income.

B. Basis of Presentation - Net Asset Accounting

The Entity follows the recommendations of the Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity 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. Net assets without donor restrictions are available for use in general operations and are not subject to donor or grantor restrictions. The Board of Directors can designate, from net assets without donor restrictions, net assets for a specific purpose. The Entity reports contributions restricted by donors, including property and equipment, as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are classified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

C. Basis of Accounting

The financial statements are prepared on the accrual basis of accounting and in accordance with the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*, and Financial Accounting Standards Board (FASB) ASC 958-205-05-6. The Entity recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

The Entity follows FASB ASC Topic 606, *Revenue from Contracts with Customers*, which establishes a contract and control-based revenue recognition model, a basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Entity considers all unrestricted highly liquid investments purchased with a maturity date of three months or less to be cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Investments

Investments are carried at fair value, determined based on quoted market prices or estimated values provided by external investment managers or other sources. Realized and unrealized gains and losses are reflected within investment return, net, in the Statement of Activities. Donated investments are reflected as contributions at their market value at the date of receipt. In accordance with FASB 958-225-45-6, investment gains and income whose restrictions are met in the same reporting period are reported as support in net assets without donor restrictions.

F. Fair Value Measurement

The Entity adopted the provisions of ASC 820-10-50 applicable to financial assets and liabilities, as well as for other non-financial assets and liabilities that are carried at fair value on a recurring basis. Adoption of the provisions of ASC 820-10-50 did not have an impact on the measurement of the Entity's financial assets and liabilities, but did result in additional disclosures contained in the footnotes herein.

G. Prepayment of Expenses

Expenses extending over more than one accounting period are expensed in the accounting period in which it was paid.

H. Promises to Give

Unconditional promises to give 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 fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. At year-end, there were no promises to give.

I. Inventory

Supplies are expensed when they are purchased, therefore, no inventory is maintained.

J. Property and Equipment

Property and equipment are valued at cost, if purchased, or fair value if contributed. The expenses for equipment in excess of \$1,000 are capitalized. Minor repairs and maintenance are expensed as incurred and additions and improvements that significantly extend the life of assets are depreciated over the remaining useful lives of the related fixed asset. At the time that assets are retired or disposed of, costs and accumulated depreciation are eliminated from the related accounts and gain or loss, if any, is credited or charged to income. Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	5-40 years
Furniture and fixtures	5-7 years
Equipment	5-10 years
Land improvements	15 years

K. Compensated Absences

It is the Entity's policy to accrue vacation and sick leave for the future benefit of its employees. This accrual is recorded as a liability in the Statement of Financial Position.

L. Unearned Revenues

The Entity had no unearned revenues received prior to year-end for the following year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Valuation of Donated Services

The Entity depends upon the services donated by its board members, supporters and volunteers to carry out many of its internal operations. The Entity follows the recommendations of FASB ASC 958-605-25-16 in reporting contributed services. Contributions of services are recognized as revenue and expenses if the services received create or enhance non-financial assets, require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Other contributed services that do not meet the above criteria are not recognized. The Entity has recorded the value of donated services which meet the requirements of FASB ASC 958-605-25-16. The value of these services is shown as in-kind contributions and in-kind expense on the Statement of Activities.

N. Methods Used for Allocation of Expenses Among Functions

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and employee benefits, which are allocated on the basis of estimates of time and effort.

O. Description of Program and Supporting Services

Mentor

Dedicated to successful mentoring relationships for all children who need and want them.

Management and General

Includes the functions necessary to ensure an adequate working environment; provide coordination and articulation of the Entity's programs; and manage the functioning of the Board of Directors and financial and budgetary responsibilities.

Fund-raising

Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations.

P. Advertising

Advertising costs are expensed as incurred.

Q. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Uncertain Tax Position

The Entity accounts for the effect of any uncertain tax positions based on a more likely than not threshold to the recognition of the tax positions being sustained based on the technical merits of the position under examination by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefits are estimated based on the cumulative probability assessment that aggregates the estimated tax liability for all uncertain tax positions. Tax positions for the Entity include, but are not limited to, the tax-exempt status and determination of whether income is subject to unrelated business income tax. Based on its evaluation, the Entity has concluded that there are no significant uncertain tax positions requiring recognition in its financial statements. The Entity's evaluation was performed for tax years ended December 31, 2018 through December 31, 2021, for Federal income tax, the years that remain subject to examination by major jurisdictions as of December 31, 2021.

S. Non-profit Entity

The Entity is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal income taxes on related income pursuant to Section 501 of the Code.

T. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2021, and February 18, 2022, which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Entity's financial assets available within one year of the balance sheet date for general expenditures are as follows:

Cash and cash equivalents	\$ 346,115
Investments	2,519,236
Account receivable	<u>101,146</u>
Total financial assets	2,966,497
Less: net assets with donor restrictions	(996,398)
Less: board-designated funds	<u>(1,547,534)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 422,565</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Entity maintains resources to meet any donor-imposed restrictions, which makes those resources unavailable for general expenditures. In addition, the Entity invests cash in excess of daily requirements in short-term investments.

The Entity's endowment funds consist of a donor-restricted endowment and a board-restricted endowment. Income from the donor-restricted endowment is restricted for a specific purpose and therefore, is not available for general expenditure. As described in Note 14, the board-designated endowment has a spending rate of 5%.

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

The Entity may receive contributions and promises to give that are restricted by donors, and considers contributions restricted for programs that are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. The Entity 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 Entity has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 30 days of operating expenses. The Entity has a policy to target a year-end balance of reserves without donor-imposed restrictions to meet 15 to 30 days of expected expenditures. To achieve these targets, the Entity forecasts its future cash flows, monitors its liquidity quarterly and monitors its reserves annually. During the year, the level of liquidity and reserves was managed within the policy requirements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Checking accounts	\$ 321,417
Cash equivalents	<u>24,698</u>
Total	<u>\$ 346,115</u>

At year-end, the carrying amount of cash was \$346,115 and the bank balance was \$352,263. Federal depository insurance covers bank balances up to \$250,000. At year-end, \$77,567 was in excess of FDIC insured amounts.

NOTE 4 - INVESTMENTS

Investments at December 31, 2021, are subject to market risks and are stated at fair value as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation (Loss)</u>
Fixed income	*	\$ 319,960	\$ -
Common stock	*	<u>2,199,276</u>	\$ -
Total		<u>\$ 2,519,236</u>	

*Cost information not available.

NOTE 5 - FAIR VALUE MEASUREMENT

ASC 820-10-50 defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy which prioritizes the inputs to valuation techniques. 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. A fair value measurement assumes that the transaction to sell the assets or transfer the liability occurs in the principal market for the assets or liability or, in the absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Fund has the ability to access.
- 2) Level 2 inputs are inputs (other than quoted prices included within level 1) that are observable for the asset or liability, either directly or indirectly.
- 3) Level 3 are unobservable inputs for the assets or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the assets or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the Entity's own data.)

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2021.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 24,698	\$ -	\$ -	\$ 24,698
Investments	<u>2,519,236</u>	<u>-</u>	<u>-</u>	<u>2,519,236</u>
Total	<u>\$2,543,934</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,543,934</u>

NOTE 6 - PROPERTY AND EQUIPMENT - NET

Changes in the fixed assets for the year ended December 31, 2021, were as follows:

	<u>Balance</u> <u>12-31-20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12-31-21</u>
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Building and improvements	113,866	11,830	(2,240)	123,456
Furniture and fixtures	8,062	-	-	8,062
Equipment	20,658	-	(4,859)	15,799
Land improvements	<u>1,800</u>	<u>-</u>	<u>-</u>	<u>1,800</u>
	159,386	11,830	(7,099)	164,117
Accumulated depreciation	<u>(135,576)</u>	<u>(3,456)</u>	<u>7,099</u>	<u>(131,933)</u>
Total	<u>\$ 23,810</u>	<u>\$ 8,374</u>	<u>\$ -</u>	<u>\$ 32,184</u>

Depreciation expense for the year ended December 31, 2021, was \$3,456.

NOTE 7 - NOTE PAYABLE

The Entity has a note payable to the Small Business Administration for \$150,000, which will be paid in full in 2022.

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	<u>\$ 281,393</u>
Board-designated for:	
Scholarship	1,271,565
Operating endowment	<u>275,969</u>
	<u>1,547,534</u>
 Total	 <u>\$ 1,828,927</u>

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are subject to the following purpose restrictions:

Scholarship program	\$ 21,848
Endowment, the investment return from which are restricted for the use of the scholarship program	<u>974,550</u>
 Total	 <u>\$ 996,398</u>

NOTE 10 - FUNDING

The Entity received \$1,107,391 in cash contributions during 2021. United Way and United Way's Combined Federal Campaign donations accounted for 12% of total cash contributions received in 2021. A major reduction in funds by the Agency could have a significant effect on future operations.

NOTE 11 - CONTRIBUTED MATERIALS

The following contributed materials meeting the criteria for recognition have been presented in the financial statements as in-kind revenue and expense:

Lawn care	<u>\$ 1,920</u>
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NOTE 12 - COMMERCIAL INSURANCE

It is the policy of the Entity to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty and worker's compensation. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 13 - DEFINED CONTRIBUTION RETIREMENT PLAN

The Entity has a defined contribution profit-sharing plan covering substantially all employees who meet certain age and service requirements. Under the plan, the Entity contributes 5% of the employee's annual compensation to the plan and also matches up to 2% of employees' annual compensation at 100% and an additional 2% of employees' annual compensation at 50%. The Entity contributed \$25,556 in 2021 to the defined contribution profit-sharing plan.

NOTE 14 - ENDOWMENT

The Entity's endowment consists of funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Entity is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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 Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The Board of Directors of the Entity has interpreted the UPMIFA 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 Entity 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 Entity has interpreted the UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with the UPMIFA, the Entity considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the fund,
- (2) the purposes of the organization and the donor-restricted endowment fund,
- (3) general economic conditions,
- (4) the possible effect of inflation and deflation,
- (5) the expected total return from income and the appreciation of investments,
- (6) other resources of the organization and
- (7) the investment policies of the Entity.

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the UPMIFA requires the Entity to retain as a fund of perpetual duration. Deficiencies of this nature did not exist during the year.

NOTE 14 - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Entity has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment 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(s) as well as board-designated funds. The investment manager is to pursue a conservative investment management philosophy in the handling of this portfolio. Both fixed income securities and common stocks are appropriate for inclusion in the portfolio. The asset mix will seek to achieve an approximate balance between fixed income investments and growth investments. Over a full market cycle this mix of assets should result in an investment return of 5% per year. 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 Entity 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). The Entity targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Withdrawal from this fund will be based on a total return policy anticipating a 5% per annum withdrawal. Such determination will be made by the Entity's Board of Directors.

Endowment Net Asset Composition by Type of Fund

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board designated endowment funds	\$ 275,969	\$ -	\$ 275,969
Donor-restricted endowment funds	<u>-</u>	<u>974,550</u>	<u>974,550</u>
Total funds	<u>\$ 275,969</u>	<u>\$ 974,550</u>	<u>\$ 1,250,519</u>

Reconciliation of the Beginning and Ending Balances of the Endowment in Total and by Net Asset Class

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 820,861	\$ 974,550	\$ 1,795,411
Investment return, net	165,678	-	165,678
Contributions	-	-	-
Appropriation of endowment assets	(710,570)	-	(710,570)
Other changes	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 275,969</u>	<u>\$ 974,550</u>	<u>\$ 1,250,519</u>

NOTE 14 - ENDOWMENT (Continued)

Description of Amounts Classified as Net Assets with Donor Restrictions (Endowment Only)

Original donor-restricted endowment gift amount and amounts required to be retained by donor	\$ 974,550
Term endowment funds	-
Accumulated investment gains on endowment funds:	
Without purpose restrictions	-
With purpose restrictions	<u>-</u>
Total endowment funds classified as net assets with donor restrictions	<u>\$ 974,550</u>

NOTE 15 - RELATED PARTY TRANSACTIONS

The wife of a board member is a part-time employee of the Entity. During the year, \$24,707 was paid to the employee.

SUPPLEMENTAL INFORMATION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Financial Position
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	\$ 346,115	\$ 346,198
Investments	2,519,236	2,111,634
Accounts receivable	101,146	67,331
Total current assets	2,966,497	2,525,163
Non-current assets		
Cash surrender value of life insurance	20,265	19,047
Property and equipment - net	32,184	23,810
Total non-current assets	52,449	42,857
TOTAL ASSETS	\$ 3,018,946	\$ 2,568,020
 LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 17,897	\$ 13,899
Payroll withholding and other liabilities	70	6,011
Accrued compensated absences	25,654	20,447
Note payable	150,000	2,386
Total current liabilities	193,621	42,743
Non-current liabilities		
Note payable - due in more than one year	-	147,614
Total liabilities	193,621	190,357
Net assets		
Without donor restrictions:		
Undesignated	281,393	234,677
Board-designated	1,547,534	1,146,588
With donor restrictions	996,398	996,398
Total net assets	2,825,325	2,377,663
TOTAL LIABILITIES AND NET ASSETS	\$ 3,018,946	\$ 2,568,020

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Activities
Years Ended December 31, 2021 and 2020

	2021	2020
REVENUES, GAINS AND OTHER SUPPORT		
Contributions and grants	\$ 790,477	\$ 348,538
PPP grant revenue	112,978	112,978
United Way	135,279	152,947
In-kind revenue	1,920	3,820
Other revenue	10,000	-
Special event revenue	171,635	163,989
Less: costs of direct benefits to donors	(20,015)	(28,873)
Investment return, net	370,540	233,263
Total revenues, gains and other support	1,572,814	986,662
EXPENSES		
Program service		
Mentor	917,601	755,417
Supporting services		
Management and general	134,116	55,201
Fund-raising	73,435	37,391
Total supporting services	207,551	92,592
Total expenses	1,125,152	848,009
Change in net assets	447,662	138,653
Net assets - beginning	2,377,663	2,239,010
Net assets - end	\$ 2,825,325	\$ 2,377,663

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Functional Expenses
Years Ended December 31, 2021 and 2020

	Program	Supporting Services		2021 Total	2020 Total
	Service	Management	Fund-		
	Mentor	and General	Raising		
EXPENSES					
Salaries	\$ 540,080	\$ 43,672	\$ 60,047	\$ 643,799	\$ 493,552
Payroll taxes	39,423	3,188	4,383	46,994	36,857
Employee benefits	80,990	6,548	9,005	96,543	64,478
Activity	25,229	-	-	25,229	4,492
Conferences	12,759	-	-	12,759	2,192
Depreciation	3,456	-	-	3,456	3,196
Dues and licenses	2,998	-	-	2,998	2,576
In-kind expense	1,920	-	-	1,920	3,820
Insurance	29,518	2,538	-	32,056	33,064
Local travel	2,246	-	-	2,246	1,271
Miscellaneous	2,369	-	-	2,369	15
Occupancy	12,636	-	-	12,636	11,079
Payments to National	24,055	-	-	24,055	22,088
Postage	2,093	-	-	2,093	1,063
Professional and contract fees	-	78,170	-	78,170	34,930
Programs	17,544	-	-	17,544	20,618
Recruiting	21,362	-	-	21,362	3,655
Repairs and maintenance	892	-	-	892	720
Scholarships	47,400	-	-	47,400	41,510
Supplies	34,957	-	-	34,957	52,334
Telephone	15,674	-	-	15,674	14,499
Total expenses	\$ 917,601	\$ 134,116	\$ 73,435	\$ 1,125,152	\$ 848,009