

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2023

I. INTRODUCTORY SECTION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
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December 31, 2023

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II. FINANCIAL SECTION

Waycaster, CPA LLC

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of Greater Chattanooga

Opinion

We have audited the accompanying financial statements of the Big Brothers Big Sisters of Greater Chattanooga, which comprise the Statement of Financial Position as of December 31, 2023, and the related Statements of Activities, Functional Expenses, and Cash Flows 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 the Big Brothers Big Sisters of Greater Chattanooga as of December 31, 2023, and 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 the 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 Statement

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 the Big Brothers Big Sisters of Greater Chattanooga's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the 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 statement, 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 the 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 statement.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Big Brothers Big Sisters of Greater Chattanooga's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Big Brothers Big Sisters of Greater Chattanooga
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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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Supplementary 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.

Waycaster, CPA LLC

Chickamauga, Georgia
May 28, 2024

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Statement of Financial Position
December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current Assets			
Cash	\$ 384,315	\$ -	\$ 384,315
Investments	1,272,257	996,398	2,268,655
Accounts receivable	38,264	-	38,264
Promises to give - net	-	131,895	131,895
Total current assets	1,694,836	1,128,293	2,823,129
Non-Current Assets			
Cash surrender value of life insurance	23,045	-	23,045
Property and equipment - net	1,772,334	-	1,772,334
Total non-current assets	1,795,379	-	1,795,379
TOTAL ASSETS	\$ 3,490,215	\$ 1,128,293	\$ 4,618,508
LIABILITIES AND NET ASSETS			
Liabilities			
Current Liabilities			
Accounts payable	\$ 4,862	\$ -	\$ 4,862
Payroll withholding and other liabilities	1,741	-	1,741
Accrued compensated absences	21,951	-	21,951
Total current liabilities	28,554	-	28,554
Non-Current Liabilities			
Note payable - due in more than one year	859,528	-	859,528
Net Assets			
With donor restrictions	-	1,128,293	1,128,293
Without donor restrictions:			
Board designated	1,301,695	-	1,301,695
Undesignated	1,300,438	-	1,300,438
Total net assets	2,602,133	1,128,293	3,730,426
TOTAL LIABILITIES AND NET ASSETS	\$ 3,490,215	\$ 1,128,293	\$ 4,618,508

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions and grants	\$ 767,270	\$ 406,276	\$ 1,173,546
United Way	192,359	-	192,359
In-kind revenue	5,902	-	5,902
Other income	7,950	-	7,950
Fundraising	169,893	-	169,893
Investment return, net	187,801	-	187,801
	<u>1,331,175</u>	<u>406,276</u>	<u>1,737,451</u>
EXPENSES			
Program service			
Mentor	681,718	392,714	1,074,432
Supporting services			
Management and general	128,284	-	128,284
Fund-raising	155,123	-	155,123
	<u>283,407</u>	<u>-</u>	<u>283,407</u>
	<u>965,125</u>	<u>392,714</u>	<u>1,357,839</u>
Change in net assets	366,050	13,562	379,612
Net assets - beginning	<u>2,236,083</u>	<u>1,114,731</u>	<u>3,350,814</u>
Net assets - ending	<u>\$ 2,602,133</u>	<u>\$ 1,128,293</u>	<u>\$ 3,730,426</u>

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, 2023

	Program Service	Supporting Services		Total
	Mentor	Management and General	Fund- Raising	
EXPENSES				
Salaries	\$ 636,784	\$ 45,484	\$ 75,807	\$ 758,075
Payroll taxes	46,847	3,346	5,577	55,770
Employee benefits	76,606	5,472	9,120	91,198
Bank fees	-	113	-	113
Capital campaign expenses	12,676	-	-	12,676
Computer equipment and software	22,830	-	-	22,830
Conferences and training	21,484	-	-	21,484
Depreciation	23,584	-	-	23,584
Dues and licenses	2,320	-	-	2,320
Fundraisers	-	-	64,619	64,619
In-kind expense	5,902	-	-	5,902
Insurance	23,388	2,599	-	25,987
Interest expense	62,198	-	-	62,198
Local travel	3,573	-	-	3,573
Occupancy	21,036	-	-	21,036
Payments to National	27,120	-	-	27,120
Postage	1,635	-	-	1,635
Professional and contract fees	-	71,270	-	71,270
Programs and activities	25,834	-	-	25,834
Recruiting	5,099	-	-	5,099
Repairs and maintenance	1,192	-	-	1,192
Scholarships	36,200	-	-	36,200
Supplies	7,462	-	-	7,462
Telephone	10,662	-	-	10,662
	<u>1,074,432</u>	<u>128,284</u>	<u>155,123</u>	<u>1,357,839</u>
Total expenses	<u>\$ 1,074,432</u>	<u>\$ 128,284</u>	<u>\$ 155,123</u>	<u>\$ 1,357,839</u>

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, 2023

Cash Flows from Operating Activities	
Increase (decrease) in net assets	\$ 379,612
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	23,584
Net realized and unrealized loss (gain) on investments	(175,178)
Cash surrender value of life insurance	(1,414)
(Increase) decrease in accounts receivable	2,295
(Increase) decrease in promises to give	(33,562)
Increase (decrease) in accounts payable	(5,416)
Increase (decrease) in payroll withholding and other liabilities	194
Increase (decrease) in compensated absences	4,968
Net cash provided (used) by operating activities	<u>195,083</u>
Cash Flows from Financing Activities	
Additions to note payable	231,175
Payment against note	<u>(785,000)</u>
Net cash provided (used) by financing activities	<u>(553,825)</u>
Cash Flows from Investing Activities	
Purchase of investments	(144,497)
Proceeds from sale of investments	263,397
Purchase of property and equipment	<u>(231,175)</u>
Net cash provided (used) by investing activities	<u>(112,275)</u>
Net increase (decrease) in cash	(471,017)
Cash - beginning	<u>855,332</u>
Cash - ending	<u><u>\$ 384,315</u></u>
Supplemental Disclosure	
Interest paid	<u><u>\$ 62,198</u></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, 2023

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

The 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 Trustees 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 next 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 recognized 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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 the 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, the promises to give are expected to be met within one year.

H. 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
Equipment/ Furniture and Fixtures	5-7 years
Land Improvements	15 years

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Compensated Absences

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

J. Unearned Revenue

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

K. In-kind Contributions

Contributed nonfinancial assets, including donated professional services, donated equipment, and other in-kind contributions, are recorded at the fair value of the goods or services received. The Entity does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program and supporting services; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of the donation.

L. 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. These expenses are allocated on the basis of estimates of time and effort.

M. 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 Trustees and financial and budgetary responsibilities.

Fund-Raising

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

N. 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)

O. 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; however, the Entity has determined that such tax positions do not result in an uncertainty requiring recognition.

P. 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.

Q. Events Occurring after Reporting Date

The Entity has evaluated events and transactions that occurred between December 31, 2023 and May 28, 2024, which is the date that the financial statement was 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	\$ 384,315
Investments	2,268,655
Accounts receivable	38,264
Promises to give - net	<u>131,895</u>
Total current financial assets	2,823,129
Less: net assets with donor restrictions	(1,128,293)
Less: board-designated funds	<u>(1,301,695)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 393,141</u>

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

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 expenditures. As described in Note 11, the board-designated endowment has a spending rate of up to 5 percent.

Although the Entity does not intend to spend its board-designated endowment, other than amounts appropriated for general expenditures 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.

NOTE 3 – CASH

At December 31, 2023, the carrying amount of cash was \$384,315 and the bank balance was \$348,148. Federal depository insurance covers bank balances up to \$250,000 leaving \$98,148 at risk.

NOTE 4 – INVESTMENTS

Investments at December 31, 2023 are subject to market risk and are stated at fair value as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Net Unrealized Appreciation/(Loss)</u>
Fixed income	*	\$ 493,854	\$ -
Equities	*	1,282,920	-
Mutual funds	*	213,175	-
Exchange traded funds	*	260,626	-
Other assets	*	18,080	-
Total investments		<u>\$ 2,268,655</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 also 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 asset or transfer the liability occurs in the principal market for the asset 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 inputs are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset 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, 2023.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments	\$2,268,655	\$ -	\$ -	\$2,268,655

NOTE 6 – PROMISES TO GIVE – NET

Collectible within one year	\$ 138,895
Less: allowance for uncollectible prommisses to give	<u>(7,000)</u>
Total	<u>\$ 131,895</u>

NOTE 7 – PROPERTY AND EQUIPMENT – NET

Changes in the fixed assets for the year ended December 31, 2023, were as follows:

	Balance 12-31-22	Additions	Deletions	Balance 12-31-23
Land	\$ 15,000	\$ -	\$ -	\$ 15,000
Building and improvements	1,437,242	231,175	-	1,668,417
Furniture and fixtures	99,746	-	-	99,746
Equipment	33,720	-	-	33,720
Total	1,585,708	231,175	-	1,816,883
Accumulated depreciation	(20,965)	(23,584)	-	(44,549)
Property and equipment - net	<u>\$ 1,564,743</u>	<u>\$ 207,591</u>	<u>\$ -</u>	<u>\$ 1,772,334</u>

Depreciation expense for the year ended December 31, 2023 was \$23,584.

NOTE 8 – NOTE PAYABLE

The Entity has a note payable to Brightbridge, Inc. At year-end, the note is still in the draw down phase. Until the note is completely drawn down, only interest payments are required, however the Entity made \$785,000 in principle payments. The interest rate is variable, equal to the *Wall Street Journal Money Section Prime Rate* less 3%. During the year, \$62,198 of interest was paid and \$231,175 was drawn against the note.

NOTE 9 – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following:

Undesignated	<u>\$1,300,438</u>
Board-designated for:	
Scholarship	\$1,160,939
Operating endowment	<u>140,756</u>
	<u>\$1,301,695</u>
Total	<u>\$2,602,133</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

Scholarship program	\$ 21,848
Promises to give for the capital campaign	131,895
Endowment, the investment return from which are restricted for the use of the scholarship program	<u>974,550</u>
Total	<u>\$1,128,293</u>

NOTE 11 – ENDOWMENT

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 Trustees 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 Trustees 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. As of December 31, 2023 the Endowment Fund was not underwater.

NOTE 11 – 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	\$ 140,756	\$ -	\$ 140,756
Donor-restricted endowment funds	-	974,550	974,550
Total funds	<u>\$ 140,756</u>	<u>\$ 974,550</u>	<u>\$1,115,306</u>

NOTE 11 – ENDOWMENT (continued)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	\$ 117,624	\$ 974,550	\$ 1,092,174
Investment return, net	23,132	-	23,132
Contributions	-	-	-
Appropriation of endowment assets	-	-	-
Other changes	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Endowment net assets, end of year	<u>\$ 140,756</u>	<u>\$ 974,550</u>	<u>\$ 1,115,306</u>

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 12 – IN-KIND CONTRIBUTIONS

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

Supplies	\$ 4,402
Professional services	<u>1,500</u>
Total	<u>\$ 5,902</u>

The Entity classified the in-kind contributions as a program service expense. There were no donor-imposed restrictions associated with the contributions.

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 \$10,851 in 2023 to the defined contribution profit-sharing plan.

NOTE 14 – 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 cover in any of the past three fiscal years.

III. SUPPLEMENTARY INFORMATION

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Financial Position
December 31, 2023 and 2022

	2023	2022
ASSETS		
Current Assets		
Cash	\$ 384,315	\$ 855,332
Investments	2,268,655	2,209,872
Accounts receivable	38,264	43,064
Promises to give - net	131,895	82,500
Total current assets	2,823,129	3,190,768
Non-Current Assets		
Promises to give - net	-	15,833
Cash surrender value of life insurance	23,045	21,631
Property and equipment - net	1,772,334	1,564,743
Total non-current assets	1,795,379	1,602,207
TOTAL ASSETS	\$ 4,618,508	\$ 4,792,975
TOTAL LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 4,862	\$ 10,278
Payroll withholding and other liabilities	1,741	1,547
Accrued compensated absences	21,951	16,983
Total current liabilities	28,554	28,808
Non-Current Liabilities		
Note payable - due in more than one year	859,528	1,413,353
Net Assets		
With donor restrictions	1,128,293	1,114,731
Without donor restrictions:		
Board designated	1,301,695	1,215,075
Undesignated	1,300,438	1,021,008
Total Net Assets	3,730,426	3,350,814
TOTAL LIABILITIES AND NET ASSETS	\$ 4,618,508	\$ 4,792,975

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Activities
Year Ended December 31, 2023 and 2022

	2023	2022
REVENUES, GAINS AND OTHER SUPPORT		
Contributions and grants	\$ 1,173,546	\$ 1,733,173
United Way	192,359	133,853
In-kind revenue	5,902	9,318
Other income	7,950	150
Fundraising	169,893	143,502
Investment return, net	187,801	(257,453)
Total revenues, gains and other support	1,737,451	1,762,543
EXPENSES		
Program service		
Mentor	1,074,432	1,040,183
Supporting services		
Management and general	128,284	74,662
Fund-raising	155,123	122,209
Total supporting services	283,407	196,871
Total expenses	1,357,839	1,237,054
Change in net assets	379,612	525,489
Net assets - beginning	3,350,814	2,825,325
Net assets - ending	\$ 3,730,426	\$ 3,350,814

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

BIG BROTHERS BIG SISTERS OF GREATER CHATTANOOGA
Comparative Schedule of Functional Expenses
Year Ended December 31, 2023 and 2022

	Program Service	Supporting Services		2023 Total	2022 Total
	Mentor	Management and General	Fund- Raising		
EXPENSES					
Salaries	\$ 636,784	\$ 45,484	\$ 75,807	\$ 758,075	\$ 650,518
Payroll taxes	46,847	3,346	5,577	55,770	47,237
Employee benefits	76,606	5,472	9,120	91,198	84,037
Bank fees	-	113	-	113	-
Capital campaign expenses	12,676	-	-	12,676	33,291
Computer equipment and software	22,830	-	-	22,830	-
Conferences and training	21,484	-	-	21,484	26,563
Depreciation	23,584	-	-	23,584	11,218
Dues and licenses	2,320	-	-	2,320	1,749
Fundraisers	-	-	64,619	64,619	37,767
In-kind expense	5,902	-	-	5,902	9,318
Insurance	23,388	2,599	-	25,987	27,019
Interest expense	62,198	-	-	62,198	15,005
Local travel	3,573	-	-	3,573	4,576
Miscellaneous	-	-	-	-	7,397
Occupancy	21,036	-	-	21,036	5,214
Payments to National	27,120	-	-	27,120	24,663
Postage	1,635	-	-	1,635	1,662
Professional and contract fees	-	71,270	-	71,270	27,581
Programs and activities	25,834	-	-	25,834	117,980
Recruiting	5,099	-	-	5,099	12,701
Repairs and maintenance	1,192	-	-	1,192	285
Scholarships	36,200	-	-	36,200	42,600
Supplies	7,462	-	-	7,462	31,491
Telephone	10,662	-	-	10,662	17,182
Total expenses	<u>\$ 1,074,432</u>	<u>\$ 128,284</u>	<u>\$ 155,123</u>	<u>\$ 1,357,839</u>	<u>\$ 1,237,054</u>

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