



# Financial Statements

As of and for the years ended December 30, 2024 and 2023

## Big Brothers Big Sisters of Southeast Michigan

Ypsilanti, Michigan



**ALTRUICADVISORS**<sup>®</sup>  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS  
*...helping nonprofits create good*<sup>®</sup>



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# Big Brothers Big Sisters of Southeast Michigan

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## **Independent Auditors' Report**

To the Board of Directors  
Big Brothers Big Sisters of Southeast Michigan  
Ypsilanti, Michigan

### **Opinion**

We have audited the accompanying financial statements of Big Brothers Big Sisters of Southeast Michigan, which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial position of Big Brothers Big Sisters of Southeast Michigan as of December 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section in our report. We are required to be independent of Big Brothers Big Sisters of Southeast Michigan and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Southeast Michigan's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Independent Auditors' Report (continued)

### **Auditors' 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 misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment 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 Southeast Michigan'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Southeast Michigan'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 audits, significant audit findings, and certain internal control related matters that we identified during the audits.

*Altruic Advisors, CPAs*

Certified Public Accountants

Plymouth, Michigan  
September 17, 2025

# Big Brothers Big Sisters of Southeast Michigan

## Statements of Financial Position

| December 31  | 2024                | 2023                |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current Assets</b>  |                     |                     |
| Cash and cash equivalents  | \$ 247,547          | \$ 260,903          |
| Investments  | 1,079,752           | 1,653,501           |
| Pledges and grants receivable, current, less allowance for doubtful accounts of \$2,400 in 2024 and 2023 | 254,135             | 331,931             |
| Prepaid expenses   | 3,989               | 306                 |
| Total current assets   | <u>1,585,423</u>    | <u>2,246,641</u>    |
| <b>Equipment</b>   |                     |                     |
| Equipment and furniture, net   | <u>3,105</u>        | <u>4,188</u>        |
| <b>Other Assets</b>  |                     |                     |
| Pledges and grants receivable, net of current portion and net present value discount                     | 1,795               | 208,713             |
| Security deposit   | 1,266               | 1,266               |
| Total current assets   | <u>3,061</u>        | <u>209,979</u>      |
| Total assets   | <u>\$ 1,591,589</u> | <u>\$ 2,460,808</u> |
| <b>LIABILITIES AND NET ASSETS</b>  |                     |                     |
| <b>Current Liabilities</b>   |                     |                     |
| Accounts payable   | \$ 13,833           | \$ 29,460           |
| Accrued personnel costs  | 130,341             | 126,682             |
| Refundable advance   | 30,318              | -                   |
| Total current liabilities  | <u>174,492</u>      | <u>156,142</u>      |
| <b>Net Assets</b>  |                     |                     |
| Without donor restrictions   | 1,183,628           | 1,775,469           |
| With donor restrictions  | 233,469             | 529,197             |
| Total net assets   | <u>1,417,097</u>    | <u>2,304,666</u>    |
| Total liabilities and net assets   | <u>\$ 1,591,589</u> | <u>\$ 2,460,808</u> |

The accompanying Notes are an integral part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan

## Statement of Activities

Year ended December 31, 2024

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---------------------------------------|------------------------------------|---------------------|
| <b>Operating Support</b>                                    |                                       |                                    |                     |
| Contributions and grants                                    | \$ 1,129,953                          | \$ 6,163                           | \$ 1,136,116        |
| Special events  | 458,367                               | -                                  | 458,367             |
| Net assets released from restrictions                       |                                       |                                    |                     |
| Expiration of time restrictions                             | 301,891                               | (301,891)                          | -                   |
| Total operating support                                     | <u>1,890,211</u>                      | <u>(295,728)</u>                   | <u>1,594,483</u>    |
| <b>Operating Expenses</b>                                   |                                       |                                    |                     |
| Program services  | 1,759,538                             | -                                  | 1,759,538           |
| Supporting services   |                                       |                                    |                     |
| General and administrative                                  | 332,069                               | -                                  | 332,069             |
| Fundraising   | 459,079                               | -                                  | 459,079             |
| Total operating expenses                                    | <u>2,550,686</u>                      | <u>-</u>                           | <u>2,550,686</u>    |
| Total operating support in<br>deficit of operating expenses | <u>(660,475)</u>                      | <u>(295,728)</u>                   | <u>(956,203)</u>    |
| <b>Other Changes</b>  |                                       |                                    |                     |
| Interest income   | <u>68,634</u>                         | <u>-</u>                           | <u>68,634</u>       |
| <b>Change in Net Assets</b>                                 | <b>(591,841)</b>                      | <b>(295,728)</b>                   | <b>(887,569)</b>    |
| <b>Net Assets, Beginning of Year</b>                        | <u>1,775,469</u>                      | <u>529,197</u>                     | <u>2,304,666</u>    |
| <b>Net Assets, End of Year</b>                              | <u>\$ 1,183,628</u>                   | <u>\$ 233,469</u>                  | <u>\$ 1,417,097</u> |

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan

## Statement of Activities

Year ended December 31, 2023

|   | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total               |
|---|-------------------------------|----------------------------|---------------------|
| <b>Operating Support</b>                                      |                               |                            |                     |
| Contributions and grants                                      | \$ 651,693                    | \$ 268,520                 | \$ 920,213          |
| Net contributions of assets from<br>BBBS Detroit (see Note 5) | 1,873,381                     | -                          | 1,873,381           |
| Special events  | 257,544                       | -                          | 257,544             |
| Net assets released from restrictions                         |                               |                            |                     |
| Expiration of time restrictions                               | 109,434                       | (109,434)                  | -                   |
| Total operating support                                       | <u>2,892,052</u>              | <u>159,086</u>             | <u>3,051,138</u>    |
| <b>Operating Expenses</b>                                     |                               |                            |                     |
| Program services  | 984,933                       | -                          | 984,933             |
| Supporting services   |                               |                            |                     |
| General and administrative                                    | 401,842                       | -                          | 401,842             |
| Fundraising   | 115,678                       | -                          | 115,678             |
| Total operating expenses                                      | <u>1,502,453</u>              | <u>-</u>                   | <u>1,502,453</u>    |
| Total operating support in excess<br>of operating expenses    | <u>1,389,599</u>              | <u>159,086</u>             | <u>1,548,685</u>    |
| <b>Other Changes</b>  |                               |                            |                     |
| Interest income   | <u>34,776</u>                 | <u>-</u>                   | <u>34,776</u>       |
| <b>Change in Net Assets</b>                                   | <u>1,424,375</u>              | <u>159,086</u>             | <u>1,583,461</u>    |
| <b>Net Assets, Beginning of Year</b>                          | <u>351,094</u>                | <u>370,111</u>             | <u>721,205</u>      |
| <b>Net Assets, End of Year</b>                                | <u>\$ 1,775,469</u>           | <u>\$ 529,197</u>          | <u>\$ 2,304,666</u> |

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan

## Statement of Functional Expenses

Year ended December 31, 2024

|                                | Program<br>Services | Supporting Services           |             | Total<br>Expenses |
|--------------------------------|---------------------|-------------------------------|-------------|-------------------|
|                                |                     | General and<br>Administrative | Fundraising |                   |
| Salaries and wages             | \$ 1,049,224        | \$ 130,376                    | \$ 300,265  | \$ 1,479,865      |
| Payroll taxes                  | 86,261              | 10,906                        | 25,923      | 123,090           |
| Employee benefits              | 89,690              | 7,815                         | 16,416      | 113,921           |
| Total personnel costs          | 1,225,175           | 149,097                       | 342,604     | 1,716,876         |
| Marketing                      | 194,137             | 166                           | 6,732       | 201,035           |
| Other consulting fees          | 79,862              | 26,469                        | 27,621      | 133,952           |
| Occupancy                      | 68,010              | 14,574                        | 14,574      | 97,158            |
| Dues and subscriptions         | 52,088              | 4,556                         | 15,221      | 71,865            |
| Accounting fees                | 2,044               | 66,100                        | -           | 68,144            |
| Meals                          | 37,425              | 9,197                         | 8,157       | 54,779            |
| Awards and recognition         | 17,858              | 17,722                        | 2,449       | 38,029            |
| Travel                         | 23,378              | 5,745                         | 5,095       | 34,218            |
| Communication expense          | 17,733              | 4,433                         | 2,463       | 24,629            |
| Insurance                      | 17,478              | 569                           | 1,495       | 19,542            |
| Supplies                       | 11,484              | 4,770                         | 1,413       | 17,667            |
| Background checks              | -                   | 16,816                        | -           | 16,816            |
| Printing and postage           | 1,959               | 1,306                         | 13,061      | 16,326            |
| Bank and merchant fees         | -                   | -                             | 14,208      | 14,208            |
| Conferences and meetings       | 6,998               | 100                           | 2,899       | 9,997             |
| Other expenses                 | -                   | 7,379                         | -           | 7,379             |
| Equipment rent and maintenance | 3,909               | 1,986                         | 1,087       | 6,982             |
| Depreciation                   | -                   | 1,084                         | -           | 1,084             |
| Total expenses                 | \$ 1,759,538        | \$ 332,069                    | \$ 459,079  | \$ 2,550,686      |

The accompanying Notes are an integral part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan

## Statement of Functional Expenses

Year ended December 31, 2023

|                                    | Program<br>Services | Supporting Services           |             | Total<br>Expenses |
|------------------------------------|---------------------|-------------------------------|-------------|-------------------|
|                                    |                     | General and<br>Administrative | Fundraising |                   |
| Salaries and wages                 | \$ 744,250          | \$ 202,088                    | \$ 42,191   | \$ 988,529        |
| Payroll taxes                      | 55,064              | 18,709                        | 3,268       | 77,041            |
| Employee benefits                  | 20,233              | 41,449                        | 1,317       | 62,999            |
| Total personnel costs              | 819,547             | 262,246                       | 46,776      | 1,128,569         |
| Occupancy                          | 42,988              | 9,492                         | 8,871       | 61,351            |
| Accounting fees                    | 1,424               | 56,748                        | -           | 58,172            |
| Dues and subscriptions             | 35,344              | 11,515                        | 5,177       | 52,036            |
| Other consulting fees              | 10,022              | 12,896                        | 17,717      | 40,635            |
| Insurance                          | 21,510              | 2,032                         | 1,432       | 24,974            |
| Legal fees                         | -                   | 21,183                        | -           | 21,183            |
| Communication expense              | 11,730              | 3,145                         | 1,256       | 16,131            |
| Supplies                           | 9,488               | 4,000                         | 1,277       | 14,765            |
| Meals                              | 4,105               | 3,999                         | 6,151       | 14,255            |
| Awards and recognition             | 7,726               | 2,136                         | 4,280       | 14,142            |
| Printing and postage               | 1,570               | 994                           | 10,399      | 12,963            |
| Marketing                          | 1,001               | 6,140                         | 3,096       | 10,237            |
| Conferences and meetings           | 6,527               | 805                           | 120         | 7,452             |
| Travel                             | 3,416               | 2,037                         | 922         | 6,375             |
| Equipment rent and maintenance     | 3,637               | 859                           | 632         | 5,128             |
| Background checks                  | 4,865               | 227                           | -           | 5,092             |
| Bank and merchant fees             | 33                  | 738                           | 3,325       | 4,096             |
| Other expenses                     | -                   | -                             | 3,137       | 3,137             |
| Net present value discount expense | -                   | -                             | 1,110       | 1,110             |
| Depreciation                       | -                   | 650                           | -           | 650               |
| Total expenses                     | \$ 984,933          | \$ 401,842                    | \$ 115,678  | \$ 1,502,453      |

# Big Brothers Big Sisters of Southeast Michigan

## Statements of Cash Flows

Increase (Decrease) in Cash and Cash Equivalents

| Years ended December 31   | 2024              | 2023              |
|---|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>   |                   |                   |
| Change in net assets  | \$ (887,569)      | \$ 1,583,461      |
| Adjustments to reconcile change in net assets<br>to net cash used by operating activities |                   |                   |
| Depreciation  | 1,084             | 650               |
| Reinvestment of interest income   | (66,251)          | (29,170)          |
| Net present value discount  | -                 | 1,110             |
| Amortization of net present value discount  | (16,587)          | (4,799)           |
| Investments received as a result of business combination                                  | -                 | (1,624,331)       |
| Increase (decrease) from changes in assets and liabilities                                |                   |                   |
| Pledges and grants receivable   | 301,300           | (133,749)         |
| Prepaid expenses  | (3,683)           | 4,888             |
| Security deposit  | -                 | (1,266)           |
| Accounts payable  | (15,627)          | 23,868            |
| Accrued personnel costs   | 3,659             | 88,853            |
| Refundable advance  | 30,318            | -                 |
| Net cash used by operating activities   | <u>(653,356)</u>  | <u>(90,485)</u>   |
| <b>Cash Flows From Investing Activities</b>   |                   |                   |
| Net sales of investments  | 640,000           | 49,214            |
| Purchases of property and equipment   | -                 | (4,026)           |
| Net cash provided by investing activities   | <u>640,000</u>    | <u>45,188</u>     |
| <b>Net Decrease in Cash and Cash Equivalents</b>  | <b>(13,356)</b>   | <b>(45,297)</b>   |
| <b>Cash and Cash Equivalents, Beginning of Year</b>                                       | <b>260,903</b>    | <b>306,200</b>    |
| <b>Cash and Cash Equivalents, End of Year</b>   | <b>\$ 247,547</b> | <b>\$ 260,903</b> |

The accompanying Notes are an integral  
part of these financial statements

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 1 – Nature of Organization and Significant Accounting Policies

*Nature of Organization.* Big Brothers Big Sisters of Southeast Michigan, formerly Big Brothers Big Sisters of Washtenaw County (see Note 5) ("the Organization" or "BBBS") is a Michigan non-profit corporation. Over 120 years ago, the Big Brothers Big Sisters movement was founded as an innovative alternative to the juvenile justice system to create equity and empowerment for young people who need it most. Today, this spirit continues to drive BBBS to become the foremost youth empowerment organization. BBBS operates under the belief that inherent in every child is incredible potential.

Big Brothers Big Sisters (BBBS) of Southeast Michigan is the result of a merger of BBBS of Metro Detroit and BBBS of Washtenaw County. The Organization provides one-to-one mentoring relationships to children in need. With the help of our Bigs, community sponsors, and generous corporate and individual donors, BBBS is able to change the lives of young people in our region. We know that when youth are surrounded by consistent, caring adults in safe, developmental relationships, BBBS can help create sparks to tap into those dreams, break down walls, and build up confidence to explore how to reach for their goals and provide the support and encouragement that helps them to learn and grow.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*Basis of Accounting.* The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

*Cash and Cash Equivalents.* The Organization considers all highly liquid debt instruments with maturities of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

*Investments.* The Organization's investments are stated at fair value. 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. The Organization's management determines the valuation policies utilizing information provided by the investment advisors and custodians. See *Fair Value Measurements*.

Unrealized gains and losses, if any, are calculated since the most recent financial statement reporting date. In the year that an investment is sold, unrealized gains and losses are calculated from the most recent financial statement reporting date through the date of sale. Therefore, realized gains and losses are generally not reported. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

*Fair Value Measurements.* The Organization reports using fair value measurements, which requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1            Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2            Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- 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.

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

Level 3            Inputs to the valuation technology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis:

*Certificates of Deposit.* The Organization values certificates of deposit at fair value by discounting related cash flow based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

*Mutual Funds.* The Organization values mutual funds with readily determinable market values at fair value as determined by quoted prices on national securities exchanges valued at the closing price on the last business day of the fiscal year. Securities traded on over-the-counter markets are valued at the last reported bid price.

The methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

*Pledges and Grants Receivable.* Pledges and grants receivable are recognized only when the conditions on which they depend are substantially met and the amounts become unconditional. Pledges and grants receivable are stated net of allowances for uncollectible accounts. Management provides for probable uncollectible accounts through a provision for bad debt expenses and an adjustment to the allowance account based on its assessment of the current status of individual amounts. Balances still outstanding after management has used reasonable collection efforts are written off through a reduction to the allowance account and a corresponding reduction to the receivable. Management's estimate for the allowance for doubtful accounts as of December 31, 2024 and 2023 was \$2,400.

*Property and Equipment.* It is the Organization's policy to capitalize property and equipment at cost for purchases over \$1,000, while repair and maintenance items are charged to expense. Donations of property and equipment are capitalized at their estimated fair value at the date of gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the assets which are five to fifteen years for equipment and furniture. Depreciation expense for the years ended December 31, 2024 and 2023 was \$1,084 and \$650, respectively.

*Right-of-Use Assets and Leases.* The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") lease assets, current portion of lease obligations, and long-term lease obligations on the Organization's statement of financial position. ROU lease assets represent the Organization's right to use an underlying asset for the lease term, and lease obligations represent the Organization's obligation to make lease payments arising from the lease. Operating ROU lease assets and obligations are recognized at the commencement date based on the present value of lease payments over the lease term. The Organization does not recognize the right-of-use asset and lease liability arising from a lease that, at the commencement date, has a term of 12 months or less, and does not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. As most of the Organization's leases do not provide an implicit rate, the Organization uses incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the term.

*Basis of Net Asset Presentation.* The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Without Donor Restrictions.* Net assets resulting from revenues generated, receiving contributions that have no donor stipulations, providing services, and receiving interest and other income, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

*With Donor Restrictions.* Net assets resulting from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated net assets, until the donor restriction expires, that is, until the stipulated time restriction ends or the purpose restriction is accomplished.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 1 – Nature of Organization and Significant Accounting Policies (continued)

*Revenue Recognition.* Revenues are recorded as the services are rendered. Prepaid amounts are recorded when payments are made. As the services are rendered, revenue is then recorded. No revenue was recognized for the years ended December 31, 2024 and 2023.

*Contributions and Grants.* Contributions and grants are recognized when the amounts are received. Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributions and grants that are restricted by the donor or grantor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the amounts are recognized.

*Contributed Goods and Services.* The Organization records the fair value of contributed services in the financial statements if services received either (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Certain other volunteer services are not recorded in these financial statements as they do not meet the criteria for recognition. The Organization didn't receive donated goods and services during the years ended December 31, 2024 and 2023.

*Marketing and Advertising.* The Organization expenses marketing and advertising costs, including donated marketing and advertising, as incurred. Total marketing and advertising expense for the years ended December 31, 2024 and 2023 was \$201,035 and \$10,237, respectively.

*Income Taxes.* The Organization is a nonprofit corporation exempt from income taxes as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private Organization. Accordingly, no provision for income taxes has been made.

*Functional Allocation of Expenses.* Direct expenses have been allocated to the applicable program for which the expenses were incurred. Indirect expenses have been allocated between program and supporting services based on an analysis of personnel time and space utilized for the related activities.

*Reclassifications.* Certain amounts from the prior year financial statements have been reclassified to conform to the current year presentation without affecting net assets as of December 31, 2023.

*Subsequent Events.* The Organization evaluates events and transactions occurring subsequent to the date of the financial statements for matters requiring recognition or disclosure in the financial statements. The accompanying financial statements consider events through September 17, 2025, the date at which the financial statements were available for release.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 2 – Pledges and Grants Receivable

Pledges and grants receivable are expected to be collected as follows at December 31:

|   | <u>2024</u>       | <u>2023</u>       |
|---|-------------------|-------------------|
| Due within one year                     | \$ 256,535        | \$ 334,331        |
| Due within one to five years            | 2,000             | 225,505           |
| Total pledges and grants receivable     | 258,535           | 559,836           |
| Less allowance for bad debt             | (2,400)           | (2,400)           |
| Less unamortized present value discount | (205)             | (16,792)          |
|   | <u>\$ 255,930</u> | <u>\$ 540,644</u> |

Pledges and grants receivable due in more than one year are recognized at fair value using present value techniques and a discount rate of 4.82%.

### Note 3 – Fair Value Measurements

The following summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2024:

|                           | <u>Level 1</u>    | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|---------------------------|-------------------|-------------------|----------------|---------------------|
| Certificates of deposit   | \$ -              | \$ 694,282        | \$ -           | \$ 694,282          |
| Cash and cash equivalents | 69,162            | -                 | -              | 69,162              |
| Mutual funds              | 316,308           | -                 | -              | 316,308             |
|                           | <u>\$ 385,470</u> | <u>\$ 694,282</u> | <u>\$ -</u>    | <u>\$ 1,079,752</u> |

The following summarizes the Organization's fair value of assets measured on a recurring basis by fair value hierarchy as of December 31, 2023:

|                           | <u>Level 1</u>    | <u>Level 2</u>      | <u>Level 3</u> | <u>Total</u>        |
|---------------------------|-------------------|---------------------|----------------|---------------------|
| Certificates of deposit   | \$ -              | \$ 1,237,776        | \$ -           | \$ 1,237,776        |
| Cash and cash equivalents | 105,737           | -                   | -              | 105,737             |
| Mutual funds              | 309,988           | -                   | -              | 309,988             |
|                           | <u>\$ 415,725</u> | <u>\$ 1,237,776</u> | <u>\$ -</u>    | <u>\$ 1,653,501</u> |

*Changes in Fair Value Levels.* The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

The Organization evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total net assets available for benefits. For the years ended December 31, 2024 and 2023, there were no significant transfers in or out of fair value levels.

Net investment earnings consisted of the following for the years ended December 31:

|                 | <u>2024</u>      | <u>2023</u>      |
|-----------------|------------------|------------------|
| Interest income | <u>\$ 66,251</u> | <u>\$ 29,170</u> |

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 4 – Net Assets with Donor Restrictions

The following summarizes the balances of net assets with donor restrictions at December 31, 2024:

|                               | <u>January 1,<br/>2024</u> | <u>Additions</u> | <u>Releases</u>   | <u>December 31,<br/>2024</u> |
|-------------------------------|----------------------------|------------------|-------------------|------------------------------|
| <i>Time restrictions:</i>     |                            |                  |                   |                              |
| Pledges and grants receivable | <u>\$ 529,197</u>          | <u>\$ 6,163</u>  | <u>\$ 301,891</u> | <u>\$ 233,469</u>            |

The following summarizes the balances of net assets with donor restrictions at December 31, 2023:

|                               | <u>January 1,<br/>2023</u> | <u>Additions</u>  | <u>Releases</u>   | <u>December 31,<br/>2023</u> |
|-------------------------------|----------------------------|-------------------|-------------------|------------------------------|
| <i>Time restrictions:</i>     |                            |                   |                   |                              |
| Pledges and grants receivable | <u>\$ 370,111</u>          | <u>\$ 268,520</u> | <u>\$ 109,434</u> | <u>\$ 529,197</u>            |

### Note 5 – Commitments and Contingencies and Subsequent Event

*Operating Lease.* The Organization leased office space in Ann Arbor, MI under an operating lease agreement that expired in August 2025, with required monthly payments of \$3,060. Additionally, the Organization leased office space in Detroit, MI under an operating lease agreement that expires in February 2026 with required monthly payments of \$2,110. Rent expense under the aforementioned leases was \$59,133 and \$45,089 for the years ended December 31, 2024 and 2023, respectively. As management believes that the total of future required payments under the aforementioned lease were not material to the overall financial statements, management has elected to not account for these leases under current accounting standards for long-term leases (see Note 1).

Future annual minimum lease payments under operating leases are as follows at December 31, 2024:

| <u>Year ended<br/>December 31</u> | <u>Total</u>     |
|-----------------------------------|------------------|
| 2025                              | \$ 40,250        |
| 2026                              | <u>2,310</u>     |
| Total                             | <u>\$ 42,560</u> |

*Business Combination.* During 2023, a Plan of Merger was adopted by the boards of directors of Big Brothers Big Sisters of Washtenaw County and Big Brothers/Big Sisters of Metropolitan Detroit with Big Brothers Big Sisters of Washtenaw County named as the surviving corporation. Both organizations shared a core mission to serve and empower young people and to further related program offerings, especially each organization's mentoring programs. A Certificate of Merger was filed with and approved by the State of Michigan, with an effective merger date of August 1, 2023.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 5 – Commitments and Contingencies and Subsequent Event (continued)

In accounting for this combination transaction, the Organization applied Accounting Standards Update (ASU) No. 2019-06, *Intangibles — Goodwill and Other* (Topic 350), *Business Combinations* (Topic 805), and *Not-for-Profit Entities* (Topic 958): *Extending the Private Company Accounting Alternatives on Goodwill and Certain Identifiable Intangible Assets to Not-for-Profit Entities*. No goodwill was recorded as a result of this transaction. The following assets and liabilities were assumed by Big Brothers Big Sisters of Washtenaw County as of August 1, 2023:

|   |                     |
|---|---------------------|
| Cash  | \$ 207,625          |
| Investments   | 1,624,331           |
| Grants receivable   | 55,000              |
| Net property and equipment  | 4,293               |
| Security deposit  | 1,266               |
| Less: accrued personnel costs   | <u>(19,134)</u>     |
| Net amount recorded as contributions in the accompanying statement of activities for the year ended December 31, 2023 | <u>\$ 1,873,381</u> |

*Restated Articles of Incorporation.* As a result of the business combination with Big Brothers/Big Sisters of Metropolitan Detroit, Big Brothers Big Sisters of Washtenaw County, as the surviving corporation, filed Restated Articles of Incorporation. Effective August 1, 2023, the surviving corporation is named Big Brothers Big Sisters of Southeast Michigan.

*Subsequent Lease Agreement.* In 2025, the Organization signed an operating lease agreement for office space with required variable monthly payments, currently at \$1,900 per month.

### Note 6 – Transactions with National Affiliate

The Organization is an affiliate of the national organization Big Brothers Big Sisters of America ("BBBSA"). During the years ended December 31, 2024 and 2023, the Organization paid affiliation fees to BBBSA of \$24,870 and \$19,712, respectively. These fees are paid to Big Brothers Big Sisters of America for access to the national program management database, national marketing/volunteer recruitment campaigns, access to federal dollars from competitive pass-through grants, access to national corporate partners, and access to online tools that support training and networking.

The Organization also receives grant income passed through BBBSA. For the years ended December 31, 2024 and 2023, respectively, the Organization recognized \$42,076 and \$68,719 in pass-through support from BBBSA. As of December 31, 2024 and 2023, respectively, \$22,460 and \$20,950 of grant support was due from BBBSA.

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

### Note 7 – Special Events

The Organization derived net support from the following special fundraising events during the year ended December 31, 2024:

|                | <u>Autumn<br/>Affair</u> | <u>Big<br/>Draft</u> | <u>Other<br/>Events</u> | <u>Total</u>      |
|----------------|--------------------------|----------------------|-------------------------|-------------------|
| Gross proceeds | \$ 211,984               | \$ 142,795           | \$ 103,588              | \$ 458,367        |
| Direct costs   | (85,743)                 | (88,903)             | (162,746)               | (337,392)         |
| Net support    | <u>\$ 126,241</u>        | <u>\$ 53,892</u>     | <u>\$ (59,158)</u>      | <u>\$ 120,975</u> |

The Organization derived net support from the following special fundraising events during the year ended December 31, 2023:

|                | <u>Autumn<br/>Affair</u> | <u>BFKS<br/>Event</u> | <u>Total</u>      |
|----------------|--------------------------|-----------------------|-------------------|
| Gross proceeds | \$ 197,431               | \$ 60,113             | \$ 257,544        |
| Direct costs   | (54,268)                 | (35,338)              | (89,606)          |
| Net support    | <u>\$ 143,163</u>        | <u>\$ 24,775</u>      | <u>\$ 167,938</u> |

### Note 8 – Liquidity and Availability of Resources

The Organization receives significant contributions and promises to give that are restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization has a goal to maintain current financial assets less current liabilities at a minimum of three months budgeted operating expenses. To achieve this target, the Organization forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the years ended December 31, 2024 and 2023, the level of liquidity and reserves was managed within the policy requirements.

The Organization's financial assets available for general expenditures within one year are as follows at December 31:

|   | <u>2024</u>         | <u>2023</u>         |
|---|---------------------|---------------------|
| Financial assets at year-end:                                       |                     |                     |
| Cash and cash equivalents   | \$ 247,547          | \$ 260,903          |
| Investments   | 1,079,752           | 1,653,501           |
| Pledges and grants receivable                                       | 255,930             | 540,644             |
|   | <u>1,583,229</u>    | <u>2,455,048</u>    |
| Less amounts not available to be used within one year:              |                     |                     |
| Pledges receivable for long-term purposes                           | (1,795)             | (208,713)           |
| Financial assets available for general expenditures within one year | <u>\$ 1,581,434</u> | <u>\$ 2,246,335</u> |

# Big Brothers Big Sisters of Southeast Michigan

## Notes to Financial Statements

December 31, 2024 and 2023

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### Note 8 – Liquidity and Availability of Resources (continued)

Substantially all of the Organization's net asset restrictions are generally released within the next fiscal year. The Organization anticipates that all current net asset restrictions as of December 31, 2024 will be fully released during the next fiscal year.

### Note 9 – Beneficial Interest in Assets Held at Community Foundation

The Organization entered into an agreement with the Ann Arbor Area Community Foundation ("the Foundation") to create the Big Brothers Big Sisters Endowment Fund ("the Fund"). The purpose of the Fund is to provide support in furtherance of the general program and charitable purposes of the Organization. The Foundation may distribute the earnings and principal of the Fund as it deems appropriate and in accordance with investment policies adopted by the Foundation to support the programs and stated charitable purpose of the Organization. As the Foundation holds variance power over these assets and, therefore, has the authority to redirect these funds, these amounts are not recorded as assets of the Organization.

At December 31, 2024 and 2023, the Foundation held donations for the benefit of BBBS of \$423,973 and \$393,871, respectively. The Foundation distributed \$15,191 and \$14,667 from the Fund in grants to the Organization during the years ended December 31, 2024 and 2023, respectively. These distributions are included in contributions and grants in the accompanying statements of activities.

### Note 10 – Concentrations of Credit Risk

*Major Donors.* During the year ended December 31, 2023, one major donor of the Organization comprised 11% of total operating support.

*Bank Deposits.* The Organization maintained cash balances in excess of federally insured limits at certain times during the years ended December 31, 2024 and 2023.