

Big Brothers Big Sisters Hawaii, Inc.

Financial Statements
(with Independent Auditor's Report Thereon)
December 31, 2019 and 2018



AKAMINE, OYADOMARI & KOSAKI
CPA'S, INC.

Big Brothers Big Sisters Hawaii, Inc.
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Independent Auditor's Report

The Board of Directors
Big Brothers Big Sisters Hawaii, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters Hawaii, Inc. (the Agency), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

Akamine, Oyadomari & Kosaki CPAs, Inc.
Honolulu, Hawaii
September 18, 2020



Big Brothers Big Sisters Hawaii, Inc.

Statements of Financial Position
as of December 31, 2019 and 2018

	<u>Assets</u>	
	2019	2018
Cash and cash equivalents	\$ 469,589	\$ 854,622
Grants and accounts receivable (Note C)	258,530	206,500
Prepaid expenses	25,426	33,433
Certificate of deposit (Note B and D)	300,000	300,000
Equipment (at cost, net of accumulated depreciation of \$268,181 in 2019 and \$256,886 in 2018)	19,319	27,263
Present value of leasehold interest (net of accumulated amortization of \$163,967 in 2019 and \$142,105 in 2018) (Note D and G)	736,033	757,895
Total assets	<u>\$ 1,808,897</u>	<u>\$ 2,179,713</u>
	<u>Liabilities and Net Assets</u>	
Liabilities -		
Accounts payable	\$ 23,503	\$ 17,339
Accrued expenses	87,192	86,801
Deferred income	18,357	47,590
Total liabilities	<u>129,052</u>	<u>151,730</u>
Commitments and contingencies (Notes G and H)		
Net assets -		
Without donor restrictions -		
Undesignated	512,532	838,822
Board designated (Note D)	11,337	11,140
Total net assets without donor restrictions	<u>523,869</u>	<u>849,962</u>
With donor restrictions (Note D) -		
Purpose or time	855,976	878,021
Perpetual	300,000	300,000
Total net assets with donor restrictions	<u>1,155,976</u>	<u>1,178,021</u>
Total net assets	<u>1,679,845</u>	<u>2,027,983</u>
Total liabilities and net assets	<u>\$ 1,808,897</u>	<u>\$ 2,179,713</u>

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



Big Brothers Big Sisters Hawaii, Inc.
 Statements of Activities
 for the years ended December 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other public support -						
Contributions	\$ 442,636	\$ 32,548	\$ 475,184	\$ 625,981	\$ 172,595	\$ 798,576
Government assistance	-	660,194	660,194	-	428,332	428,332
Special events	462,462	-	462,462	489,551	-	489,551
Less direct benefit costs	(55,427)	-	(55,427)	(78,617)	-	(78,617)
Contributions from affiliate organization (Note I)	-	-	-	79,309	-	79,309
United Way contribution	24,213	43,089	67,302	46,159	28,074	74,233
Investment income	2,132	5,999	8,131	894	6,024	6,918
Rental income, net	40	-	40	615	-	615
Other income	1,799	-	1,799	23,702	-	23,702
Net assets released from restrictions (Note D)	763,875	(763,875)	-	559,086	(559,086)	-
Total revenue, gains, and other public support	1,641,730	(22,045)	1,619,685	1,746,680	75,939	1,822,619
Expenses (Notes F, G, and I) -						
Program	1,318,961	-	1,318,961	1,325,064	-	1,325,064
Fundraising	276,402	-	276,402	246,053	-	246,053
Management and general administration	372,460	-	372,460	365,095	-	365,095
Total expenses	1,967,823	-	1,967,823	1,936,212	-	1,936,212
Change in net assets	(326,093)	(22,045)	(348,138)	(189,532)	75,939	(113,593)
Net assets, beginning of year	849,962	1,178,021	2,027,983	1,039,494	1,102,082	2,141,576
Net assets, end of year	<u>\$ 523,869</u>	<u>\$ 1,155,976</u>	<u>\$ 1,679,845</u>	<u>\$ 849,962</u>	<u>\$ 1,178,021</u>	<u>\$ 2,027,983</u>

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



Big Brothers Big Sisters Hawaii, Inc.
Statements of Functional Expenses
for the years ended December 31, 2019 and 2018

	2019				2018			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Personnel costs (Note I)	\$ 775,891	\$ 226,087	\$ 118,928	\$ 1,120,906	\$ 769,486	\$ 212,751	\$ 110,473	\$ 1,092,710
Payroll insurance	101,664	29,624	15,583	146,871	101,754	28,133	14,609	144,496
Payroll taxes	63,789	18,588	9,778	92,155	66,288	18,328	9,517	94,133
Pension expenses (Note F)	6,925	2,018	1,061	10,004	5,679	1,571	815	8,065
Training	5,496	1,602	843	7,941	9,848	2,722	1,414	13,984
Total personnel costs	953,765	277,919	146,193	1,377,877	953,055	263,505	136,828	1,353,388
Occupancy (Note G)	84,174	24,527	12,902	121,603	75,453	20,861	10,833	107,147
Fund development	-	-	81,948	81,948	-	-	67,388	67,388
Professional fees	47,227	13,762	7,239	68,228	46,462	12,846	6,670	65,978
Travel	19,514	15,064	8,363	42,941	12,734	15,998	3,918	32,650
Utilities (Note I)	28,075	8,181	4,303	40,559	27,322	7,554	3,923	38,799
Match activities expense	38,304	-	-	38,304	48,499	-	-	48,499
General insurance	15,980	4,656	2,449	23,085	15,128	4,182	2,172	21,482
Dues and subscriptions	12,546	6,036	3,671	22,253	7,723	4,479	3,243	15,445
Dues to national organization	17,327	3,804	-	21,131	11,800	2,950	-	14,750
Auto expenses	13,800	2,016	2,707	18,523	11,794	1,242	2,483	15,519
Program scholarships	17,000	-	-	17,000	15,250	-	-	15,250
Advertising	10,280	2,995	1,576	14,851	15,868	4,388	2,278	22,534
Depreciation	7,819	2,278	1,198	11,295	8,775	2,426	1,260	12,461
Maui building expense	5,461	3,641	-	9,102	22,292	14,861	-	37,153
Repairs and maintenance	6,198	1,806	950	8,954	8,221	2,273	1,180	11,674
Supplies	5,252	1,530	805	7,587	5,987	1,655	860	8,502
Rental equipment (Note G)	4,103	1,195	629	5,927	4,313	1,192	619	6,124
Printing and publications	1,440	881	328	2,649	8,299	1,747	874	10,920
Postage and shipping	1,702	496	261	2,459	2,082	576	299	2,957
Volunteers	23,251	-	-	23,251	15,472	-	-	15,472
Miscellaneous	5,743	1,673	880	8,296	8,535	2,360	1,225	12,120
Total expenses	<u>\$ 1,318,961</u>	<u>\$ 372,460</u>	<u>\$ 276,402</u>	<u>\$ 1,967,823</u>	<u>\$ 1,325,064</u>	<u>\$ 365,095</u>	<u>\$ 246,053</u>	<u>\$ 1,936,212</u>

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



Big Brothers Big Sisters Hawaii, Inc.
 Statements of Cash Flows
 for the years ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from contributions	\$ 1,121,417	\$ 1,231,125
Cash received from special events	407,035	410,934
Interest and dividends received	8,171	7,533
Cash received from other income	1,797	23,702
Cash paid for personnel costs and vendors	(1,920,102)	(1,913,682)
Net cash used in operating activities	(381,682)	(240,388)
Cash flows used in investing activities:		
Purchase of equipment	(3,351)	(5,746)
Change in cash and cash equivalents	(385,033)	(246,134)
Cash and cash equivalents, beginning of year	854,622	1,100,756
Cash and cash equivalents, end of year	\$ 469,589	\$ 854,622
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ (348,138)	\$ (113,593)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,295	12,461
Amortization of leasehold interest in property	21,862	21,863
Change in operating assets and liabilities:		
Grants and accounts receivable	(52,030)	9,126
Prepaid expenses	8,007	(1,636)
Accounts payable	6,164	(3,416)
Accrued expenses	391	(6,742)
Deferred income	(29,233)	(158,451)
Net cash used in operating activities	\$ (381,682)	\$ (240,388)

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



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE A - ORGANIZATION

Big Brothers Big Sisters Hawaii, Inc. (the Agency) is a mentoring organization which provides children facing adversity with strong and enduring professionally supported one-to-one relationships that change their lives for the better, forever. The United Way and the Big Brothers Big Sisters Hawaii Foundation, Inc. (the Foundation), provide the Agency with a portion of its revenues through annual allocations. Government grants, donations, receipts from fundraising projects (special events), interest, and dividends are other sources of funds.

As a non-profit organization qualifying under Internal Revenue Code Section 501(c)(3), the Agency is exempt from Federal and State income taxes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation -

The financial statements of the Agency have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Cash and Cash Equivalents -

All highly liquid instruments purchased with an original maturity date of three months or less are considered cash equivalents. Certificates of deposit with maturities greater than three months are considered cash equivalents if the penalties associated with the early withdrawal are not significant.

Equipment and Depreciation -

Equipment acquisitions are recorded at cost and, if donated, at the fair market value at the date of donation. The Agency follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided over the estimated useful lives of the respective assets, which range from 3 to 7 years, using the straight-line method.

Deferred Income -

Deferred income consisted of cash and grants received that are anticipated to be earned in future years.

Net Assets without Donor Restrictions -

The Agency reports contributions as revenues without donor restrictions unless donor restrictions specify how the donated assets must be used.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets with Donor Restrictions - Purpose or Time -

The Agency reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period as when received are reported as revenues without donor restrictions.

Net Assets with Donor Restrictions - Perpetual -

The Agency reports as net assets with perpetual donor restrictions gifts and bequests which have been accepted with the donor's stipulation that the principal be maintained intact in perpetuity with only the income to be utilized.

At December 31, 2019 and 2018, the Agency had a \$300,000 donor-restricted endowment from the Harry and Jeanette Weinberg Foundation.

The Agency has a policy of appropriating for expenditure each year all investment income generated from the endowment, which amounted to approximately \$5,999 in both 2019 and 2018, and which are presented as revenues without donor restrictions on the statements of activities. There were no changes in the endowment in 2019 or 2018, and there were no board designated endowments at December 31, 2019 or 2018.

Investment Policy -

The Agency has adopted an investment policy 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 and board-designated funds that the Agency must hold in perpetuity or for a donor-specified period(s). Under this policy, as provided by the Board of Directors, the following shall be considered in managing and investing an endowment asset:

- 1) The charitable purposes of the Agency and the endowment asset;
- 2) The general economic conditions;
- 3) The possible effect of inflation or deflation;
- 4) The expected tax consequences, if any, of investment decisions and strategies;
- 5) The role that each investment or course of action plays within the overall investment portfolio of the fund;
- 6) The expected total return from income and the appreciation of investments;
- 7) Other resources of the Agency;
- 8) The needs of the Agency and the fund to make distributions and preserve capital; and
- 9) An asset's special relationship or special value to the charitable purposes of the Agency.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, if the donor stipulates how endowment assets are to be invested, the Agency will follow the donor's investment policy.

Spending Policy -

The Agency has a policy of appropriating funds for expenditure that is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making a determination to appropriate, the Agency shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, the following factors:

- 1) The duration and preservation of the endowment fund assets;
- 2) The purposes of the Agency and the endowment fund assets;
- 3) General economic conditions;
- 4) The possible effect of inflation or deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Agency; and
- 7) The investment policy of the Agency.

In addition, if the donor stipulates how endowment assets are to be spent, the Agency will follow the donor's spending policy. When expenses are incurred which can release multiple donor restrictions, it is the Agency's policy to release the narrowest donor restriction first, followed by broader restrictions.

Recognition of Grant Revenue -

Grants are received from state and local governments and private foundations. Revenues on cost reimbursement contracts are recognized when allowable and reimbursable expenses are incurred, and upon meeting the legal and contractual requirements of the funding source. Revenues on fee for service contracts are recognized when the services required by the contractual agreements are satisfactorily performed. These revenues are generally exchange transactions and are thereby recorded as revenues without donor restrictions.

Advertising -

Advertising costs are expensed as incurred.

Functional Allocation of Expenses -

The costs of providing the various programs and other activities of the Agency have been summarized on a functional basis in the statements of activities and statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates -

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

Donated Materials and Services -

Donated materials and services are recorded as support at their estimated fair market values at the date of donation. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated assets for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

A substantial number of volunteers have donated significant amounts of their time to the Agency's program services and its fundraising campaigns; however these services have not been reflected in the financial statements since the services did not create or enhance non-financial assets and did not require specialized skills that would typically need to be purchased if not provided by donation.

Contributions -

All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases to net assets with donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Income Taxes -

The Agency is a not-for-profit organization that is exempt from federal income taxes under Section 501(a) as described under 501(c)(3) of the Internal Revenue Code and comparable state law as a charitable organization, whereby only unrelated business income, as defined by Section 509(a)(1) of the Code is subject to federal income tax.

The Agency does not believe that there are any material uncertain tax positions. The Agency believes it is no longer subject to examinations by tax authorities for the years ended December 31, 2015 and prior.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications -

Certain reclassifications have been made to the December 31, 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

NOTE C - GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable at December 31, 2019 and 2018 are stated at amounts the Agency expects to collect. All grants receivable at December 31, 2019 and 2018 were deemed fully collectible.

NOTE D - NET ASSETS

Board Designated Net Assets Without Donor Restrictions -

Board designated net assets without donor restrictions consisted of a scholarship fund in honor of Mr. Art Rutledge totaling \$11,337 and \$11,140 at December 31, 2019 and 2018, respectively. These are assets identified by the Agency's Board of Directors to be used for future investment and growth.

Net Assets with Donor Restrictions - Purpose or Time -

As of December 31, 2019 and 2018, net assets with time or purpose donor restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Present value of leasehold interest in real property with the County of Maui. The lease expires on September 1, 2053.	\$ 736,033	\$ 757,895
The Harold K.L. Castle Foundation's grant supports the Agency's Holomua mentoring program.	67,635	67,866
A Na Lei Aloha Foundation grant supports the Agency's Holomua mentoring program exclusively on Hawaii Island.	30,000	30,000
The Kualoa Ranch Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	11,482	10,934
The Honolulu Rotary Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	<u>10,826</u>	<u>11,326</u>
Total	<u>\$ 855,976</u>	<u>\$ 878,021</u>



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE D - NET ASSETS (continued)

For the years ended December 31, 2019 and 2018, net assets released from restrictions consisted of the following:

	<u>2019</u>	<u>2018</u>
Site-based program	\$ 733,282	\$ 528,224
Leasehold interest in Maui property	21,863	21,863
Weinberg interest	5,999	5,999
Kualoa Ranch scholarship	2,000	1,625
Honolulu Rotary scholarship	500	1,375
Holomua Program	231	-
Total	<u>\$ 763,875</u>	<u>\$ 559,086</u>

Net Assets with Donor Restrictions - Perpetual -

As of December 31, 2019 and 2018, net assets with perpetual donor restrictions consisted of a \$300,000 endowment fund received in 1995 from The Harry and Jeanette Weinberg Endowment Fund.

The \$300,000 is held in a certificate of deposit, which is restricted in perpetuity, however, income generated by this asset can be used to support the basic core program of the Agency. The endowment fund must be deposited in a federally insured bank or financial institution in the State of Hawaii (see Note B.)

NOTE E - ENDOWMENT FUND

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Agency has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Agency classifies as net assets with perpetual donor restrictions: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with perpetual donor restrictions is classified as net assets with purpose donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by UPMIFA.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE E - ENDOWMENT FUND (continued)

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 300,000	\$ 300,000
Investment income	-	5,999	5,999
Transfers	5,999	(5,999)	-
Appropriation of endowment assets for expenditure	(5,999)	-	(5,999)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

Changes in endowment net assets for the year ended December 31, 2018 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 300,000	\$ 300,000
Investment income	-	5,999	5,999
Transfers	5,999	(5,999)	-
Appropriation of endowment assets for expenditure	(5,999)	-	(5,999)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>

NOTE F - PENSION PLAN

The Agency has a 401(k) Plan. An employee is eligible to participate in the plan after completing one year of continuous service in which the employee worked at least 1,000 hours.

Employees may authorize the Agency to withhold from 1% up to 25% of their compensation, plus up to 100% of any paid cash bonus, with the employer matching 25% of the first 6% of voluntary employee contributions. Plan contributions were \$10,004 and \$8,065 for the years ended December 31, 2019 and 2018, respectively.

NOTE G - LEASES

The Agency leases its equipment and office space under operating leases.

The Agency entered into a five-year lease agreement for office space effective January 1, 2013 and renewed their lease agreement for an additional 5 years effective January 1, 2018. The Agency pays for its share of common area charges, which include general excise tax and real property tax. Subsequent to year-end, the Agency terminated their existing five-year lease agreement and entered into a three-year lease agreement for office space at a different location.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE G - LEASES (continued)

Future minimum rental payments for the years subsequent to December 31, 2019 are as follows:

<u>Year ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2020	\$ 66,804	\$ 4,628	\$ 71,432
2021	66,804	4,628	71,432
2022	66,804	2,617	69,421
2023	-	1,947	1,947
2024	-	162	162
Thereafter	-	-	-
Total	<u>\$ 200,412</u>	<u>\$ 13,982</u>	<u>\$ 214,394</u>

The Agency has an office lease as part of its purchase of Big Brothers Big Sisters Maui, Inc. The lease expires September 1, 2053 and contains certain terms including de minimis rent during the term of the lease, use restrictions on the building, and reversion of the building to the lessor at termination of the lease. The present value of the leasehold interest was determined to be \$900,000 upon assumption and is being amortized as rent expense on a straight-line basis and being annually released from restrictions over the remaining term of the lease.

The Agency also leases storage space on a month-to-month basis at \$254 per month.

Rental expense for all operating leases for the years ended December 31, 2019 and 2018 were \$105,668 and \$91,409, respectively.

NOTE H - CONCENTRATION OF CREDIT RISK FOR CASH DEPOSITS

Financial instruments which potentially subject the Agency to concentrations of credit risk consisted principally of cash deposits. At times during the year and as of December 31, 2019, these deposits were in excess of federally insured limits. Uninsured cash, cash equivalents, and certificates of deposit at December 31, 2019 approximated \$106,000.

NOTE I - REPORTING OF RELATED ENTITY

A non-profit organization, Big Brothers Big Sisters Hawaii Foundation, Inc. (the Foundation), was formed to provide financial support for the charitable activities of the Agency by soliciting donations of salvageable clothing from the general public. The two entities operate independently, therefore, management has elected not to present consolidated results of operations.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE I - REPORTING OF RELATED ENTITY (continued)

Summarized financial data for the Foundation are as follows:

	(Unaudited) 2019	2018
As of December 31:		
Total assets	\$ 56,947	\$ 76,989
Total liabilities	(110,320)	(152,457)
Total net assets	<u>\$ (53,373)</u>	<u>\$ (75,468)</u>
For the years ended December 31:		
Revenues	\$ 1,208,276	\$ 1,402,228
Expenses	(1,186,181)	(1,499,560)
Contributions to the Agency	-	(79,309)
Change in net assets	<u>\$ 22,095</u>	<u>\$ (176,641)</u>

During the year ended December 31, 2019, the Agency did not receive transfers from the Foundation. During the year ended December 31, 2018, the Agency received transfers from the Foundation in the amount of \$79,309. During 2019 and 2018, the Agency received management fees, in the amount of \$23,582 and \$41,168, and utilities reimbursement, in the amount of \$1,127 and \$1,444, from the Foundation, respectively.

NOTE J - LIQUIDITY

The Agency has \$609,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$470,000, and grants and accounts receivable of \$259,000, reduced by net assets with donor restrictions of \$120,000. The Agency has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$320,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS

During 2019, the Agency adopted ASU 2014-09, *Revenue from Contracts with Customers*, and the subsequently issued ASUs which clarified implementation of ASU 2014-09. The standard requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchanges for those goods or services. Although this standard replaced most existing revenue recognition guidance, the guidance specific to not-for-profit entities has been retained. The Agency assessed its revenue contracts potentially affected by the ASUs and concluded that ASU 2014-09 did not materially change the Agency's revenue recognition method. As a result, the adoption of ASU 2014-09 had no effect on the Agency's net asset balances or changes in net assets as previously reported.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE K - NEW ACCOUNTING PRONOUNCEMENTS (continued)

During 2019, the Agency also adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard clarifies the distinction between exchange transactions and contributions. It also enhances guidance for entities to determine whether a contribution contains a donor-imposed condition or a donor-imposed restriction. The Agency adopted this ASU on a modified prospective basis in 2019; as a result, there was no effect on the Agency's net asset balances or changes in net assets as previously reported. In comparison to 2018, there was no effect of adopting the new accounting principle in accounts receivable and county grants with donor restrictions.

NOTE L - SUBSEQUENT EVENTS

Management has reviewed all events that have occurred through September 18, 2020, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

On March 20, 2020, in response to health concerns related to COVID-19, the Agency transitioned to maintain all client services and business operations exclusively via virtual means. Fundraising events scheduled during this period were postponed. In addition, the State of Hawaii and all four counties imposed stay-at-home orders and air travel restrictions. Management expects a significant adverse effect on the Organization's fundraising revenues due to the economic impact of these government measures. No adjustments have been made to the December 31, 2019 financial statements as a result of these events.

