

# **Big Brothers Big Sisters Hawaii, Inc.**

Financial Statements  
(with Independent Auditor's Report Thereon)  
December 31, 2021 and 2020



**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**

***Opinion***

We have audited the accompanying financial statements of Big Brothers Big Sisters Hawaii, Inc., which comprise the statements of financial position as of December 31, 2021 and 2020, 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 respects, the financial position of Big Brothers Big Sisters Hawaii, Inc. as of December 31, 2021 and 2020, 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.

***Report on Summarized Comparative Information***

We have previously audited the Big Brothers Big Sisters Hawaii, Inc.'s December 31, 2020 financial statements, and our report dated September 28, 2021 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters Hawaii, Inc. and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 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 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 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 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 Hawaii, Inc.'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 Hawaii, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant findings, and certain internal control-related matters that we identified during the audit.

*Akamine, Oyadomari + Kosaki CPAs, Inc.*

Honolulu, Hawaii  
September 27, 2022



# Big Brothers Big Sisters Hawaii, Inc.

Statements of Financial Position  
as of December 31, 2021 and 2020

	<u>Assets</u>	
	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 409,602	\$ 765,881
Investments	49,009	-
Grants and accounts receivable (Note C and F)	451,571	248,279
Prepaid expenses	16,879	10,661
Inventory	19,982	-
Building improvements and equipment (at cost, net of accumulated depreciation of \$304,580 in 2021 and \$280,466 in 2020) (Note D)	257,952	265,704
Present value of leasehold interest (net of accumulated amortization of \$207,692 in 2021 and \$185,830 in 2020) (Note E and I)	692,308	714,170
Total assets	<u>\$ 1,897,303</u>	<u>\$ 2,004,695</u>
	<u>Liabilities and Net Assets</u>	
Liabilities -		
Accounts payable	\$ 15,011	\$ 175,164
Accrued expenses	73,416	70,295
Deferred income	-	16,575
Total liabilities	<u>88,427</u>	<u>262,034</u>
Commitments and contingencies (Notes H, I, and J)		
Net assets -		
Without donor restrictions -		
Undesignated	1,094,989	896,828
Board designated (Note E)	-	11,337
Total net assets without donor restrictions	<u>1,094,989</u>	<u>908,165</u>
With donor restrictions (Note E) -		
Purpose or time	713,887	834,496
Total net assets with donor restrictions	<u>713,887</u>	<u>834,496</u>
Total net assets	<u>1,808,876</u>	<u>1,742,661</u>
Total liabilities and net assets	<u>\$ 1,897,303</u>	<u>\$ 2,004,695</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, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other public support -						
Contributions	\$ 601,776	\$ 4,000	\$ 605,776	\$ 578,949	\$ 759	\$ 579,708
Government assistance	550,568	-	550,568	777,106	-	777,106
Forgiveness of government note payable (Note M)	263,735	-	263,735	261,400	-	261,400
Employee Retention Tax Credit (Note F)	101,057	-	101,057	-	-	-
Special events	34,720	-	34,720	68,380	-	68,380
Less direct benefit costs	-	-	-	(4,862)	-	(4,862)
United Way contribution	31,672	-	31,672	66,689	-	66,689
Investment income	7,839	-	7,839	6,233	-	6,233
Other income	5,951	-	5,951	213	-	213
Net assets released from restrictions (Note E)	124,609	(124,609)	-	322,239	(322,239)	-
9       Total revenue, gains, and other public support	<u>1,721,927</u>	<u>(120,609)</u>	<u>1,601,318</u>	<u>2,076,347</u>	<u>(321,480)</u>	<u>1,754,867</u>
Expenses -						
Program	959,220	-	959,220	1,070,281	-	1,070,281
Fundraising	216,561	-	216,561	218,469	-	218,469
Management and general administration	359,322	-	359,322	403,301	-	403,301
Total expenses	<u>1,535,103</u>	<u>-</u>	<u>1,535,103</u>	<u>1,692,051</u>	<u>-</u>	<u>1,692,051</u>
Change in net assets	186,824	(120,609)	66,215	384,296	(321,480)	62,816
Net assets, beginning of year	<u>908,165</u>	<u>834,496</u>	<u>1,742,661</u>	<u>523,869</u>	<u>1,155,976</u>	<u>1,679,845</u>
Net assets, end of year	<u>\$ 1,094,989</u>	<u>\$ 713,887</u>	<u>\$ 1,808,876</u>	<u>\$ 908,165</u>	<u>\$ 834,496</u>	<u>\$ 1,742,661</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, 2021 and 2020

2021

2020

	2021				2020			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Personnel costs	\$ 535,486	\$ 212,324	\$ 102,167	\$ 849,977	\$ 628,185	\$ 249,081	\$ 119,854	\$ 997,120
Payroll insurance	64,834	25,707	12,370	102,911	79,034	31,338	15,079	125,451
Payroll taxes	44,732	17,736	8,534	71,002	51,440	20,397	9,815	81,652
Pension expenses (Note G)	5,679	2,252	1,084	9,015	7,464	2,960	1,424	11,848
Training	1,138	451	217	1,806	3,955	1,568	754	6,277
Total personnel costs	651,869	258,470	124,372	1,034,711	770,078	305,344	146,926	1,222,348
Professional fees	73,915	29,308	14,103	117,326	53,349	21,154	10,179	84,682
Advertising	48,678	19,301	9,287	77,266	43,062	17,075	8,216	68,353
Occupancy (Note H and I)	25,766	10,217	4,916	40,899	60,083	23,823	11,463	95,369
BBBSH Foundation (Note K)	-	-	37,000	37,000	-	-	-	-
Dues to national organization	19,222	5,879	-	25,101	11,721	3,585	-	15,306
Depreciation	15,191	6,024	2,899	24,114	7,739	3,069	1,477	12,285
Match activities expense	22,857	-	-	22,857	34,285	-	-	34,285
Program scholarships	22,750	-	-	22,750	18,325	-	-	18,325
Utilities	14,187	5,625	2,707	22,519	18,261	7,241	3,484	28,986
General insurance	13,634	5,406	2,601	21,641	14,322	5,679	2,733	22,734
Dues and subscriptions	9,974	6,100	4,839	20,913	8,602	5,261	4,174	18,037
Printing and publications	9,345	2,134	1,996	13,475	1,048	240	224	1,512
Supplies	7,655	3,035	1,461	12,151	2,034	807	388	3,229
Maui building repairs	5,979	3,986	-	9,965	6,364	4,242	-	10,606
Fund development	-	-	8,545	8,545	-	-	26,535	26,535
Volunteers	8,027	-	-	8,027	3,525	-	-	3,525
Rental equipment (Note H)	3,347	1,327	639	5,313	3,701	1,468	706	5,875
Repairs and maintenance	1,711	679	327	2,717	1,292	513	247	2,052
Auto expenses	1,073	308	145	1,526	2,672	767	361	3,800
Postage and shipping	926	367	177	1,470	1,038	411	198	1,647
Travel	592	156	66	814	6,494	1,715	722	8,931
Miscellaneous	2,522	1,000	481	4,003	2,286	907	436	3,629
Total expenses	\$ 959,220	\$ 359,322	\$ 216,561	\$ 1,535,103	\$ 1,070,281	\$ 403,301	\$ 218,469	\$ 1,692,051

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, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from contributions	\$ 968,149	\$ 1,431,972
Cash received from Employee Retention Tax Credit (Note F)	101,057	-
Cash received from special events	34,720	63,518
Interest and dividends received	7,839	6,233
Cash received from other income	451	213
Cash paid for personnel costs and vendors	(1,666,859)	(1,668,692)
Net cash used in operating activities	(554,643)	(166,756)
Cash flows from investing activities:		
Sale of certificate of deposit	-	300,000
Purchase of investments	(49,009)	-
Purchase of building improvements	-	(92,857)
Purchase of equipment	(16,362)	(5,495)
Net cash provided by/(used in) investing activities	(65,371)	201,648
Cash flows from financing activities:		
Proceeds from government note payable (Note M)	263,735	261,400
Net cash provided by financing activities	263,735	261,400
Change in cash and cash equivalents	(356,279)	296,292
Cash and cash equivalents, beginning of year	765,881	469,589
Cash and cash equivalents, end of year	\$ 409,602	\$ 765,881
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 66,215	\$ 62,816
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	24,114	12,285
Amortization of leasehold interest in property	21,862	21,863
Forgiveness of government note payable (Note M)	(263,735)	(261,400)
Change in operating assets and liabilities:		
Grants and accounts receivable	(203,292)	10,251
Prepaid expenses and inventory	(26,200)	14,765
Accounts payable	(160,153)	(8,657)
Accrued expenses	3,121	(16,897)
Deferred income	(16,575)	(1,782)
Net cash used in operating activities	\$ (554,643)	\$ (166,756)
Supplemental disclosure of cash flow information		
Noncash acquisition of building improvements	\$ -	\$ 160,318

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 provides 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.

#### Fixed Assets -

Building improvements and 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 building improvements or equipment acquisitions in excess of \$1,000. Depreciation is provided over the estimated useful lives of the respective assets, which range from 15 to 20 years for building improvements and 3 to 7 years for equipment. The Agency uses the straight-line method for depreciating fixed assets.

#### Deferred Income -

Deferred income consists 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, the Agency had a \$300,000 donor-restricted endowment from the Harry and Jeanette Weinberg Foundation. In March 2020, the Harry and Jeanette Weinberg Foundation released the Agency from the perpetual restrictions and requirements in the original endowment agreement.

There were no board designated endowments at December 31, 2021 or 2020.

##### Investment Policy –

The Agency has adopted an investment policy for assets that attempt to provide an additional stream of funding to programs. Under this policy, as provided by the Board of Directors, the following shall be considered in managing and investing an asset:

- 1) The charitable purposes of the Agency and the 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.

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



# Big Brothers Big Sisters Hawaii, Inc.

## Notes to the Financial Statements

### NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 restricted 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 restricted fund assets;
- 2) The purposes of the Agency and the restricted 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 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. There were no exchange transactions recorded in the Statement of Activities for the years ended December 31, 2021 and 2020.

#### 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, other support, and expenses during the reporting period. Actual results could differ from those estimates.

##### Donated Materials and Services -

Donated materials and services, received by the Agency, 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.

##### 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, 2017 and prior.



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### NOTE C - GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable at December 31, 2021 and 2020 are stated at amounts the Agency expects to collect. All grants receivable at December 31, 2021 and 2020 were deemed fully collectible.

#### NOTE D – BUILDING IMPROVEMENTS AND EQUIPMENT

Building improvements and equipment as of December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures, and equipment	\$309,357	\$292,995
Maui building improvements	<u>253,175</u>	<u>253,175</u>
	562,532	546,170
Less accumulated depreciation	<u>(304,580)</u>	<u>(280,466)</u>
Total building improvements and equipment, net	<u><u>\$257,952</u></u>	<u><u>\$265,704</u></u>

Depreciation expense was \$24,114 and \$12,285 for the years ended December 31, 2021 and 2020, respectively.

#### NOTE E - NET ASSETS

##### Net Assets with Donor Restrictions - Perpetual -

As of December 31, 2019, net assets with perpetual donor restrictions consisted of a \$300,000 endowment fund received in 1995 from The Harry and Jeanette Weinberg Endowment Fund. In March 2020, the Weinberg Foundation released the Agency from the restrictions and requirements in the original endowment agreement.

##### 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 totaled \$11,337 at December 31, 2020. These funds were fully released in 2021 and were, therefore, not funded at December 31, 2021. These are assets identified by the Agency's Board of Directors to be used for future investment and growth.



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### NOTE E - NET ASSETS (continued)

##### Net Assets with Donor Restrictions - Purpose or Time -

As of December 31, 2021 and 2020, net assets with time or purpose donor restrictions consisted of the following:

	2021	2020
Present value of leasehold interest in real property with the County of Maui. The lease expires on September 1, 2053.	\$ 692,308	\$ 714,170
The Kualoa Ranch Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	11,272	12,240
The Honolulu Rotary Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	6,307	10,451
The RJ Hayashida Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	4,000	-
The Harold K.L. Castle Foundation's grant supports the Agency's Holomua mentoring program.	-	67,635
A Na Lei Aloha Foundation grant supports the Agency's Holomua mentoring program exclusively on Hawaii Island.	-	30,000
Total	\$ 713,887	\$ 834,496

For the years ended December 31, 2021 and 2020, net assets released from restrictions consisted of the following:

	2021	2020
Holomua Program	\$ 97,635	\$ -
Leasehold interest in Maui property	21,862	21,863
Honolulu Rotary scholarship	4,144	376
Kualoa Ranch scholarship	968	-
Endowment fund	-	300,000
Total	\$ 124,609	\$ 322,239



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### NOTE F – EMPLOYEE RETENTION TAX CREDIT

In response to the COVID-19 pandemic, the federal government established the Employee Retention Credit (ERC) to provide a refundable employment tax credit to help businesses with the cost of keeping staff employed. ERC related income was recorded as revenue on the Statements of Activities for the year ended December 31, 2021. A related receivable, in the amount of \$101,057, was presented in accounts receivable on the Statements of Financial Position at December 31, 2021. There was no ERC receivable at December 31, 2020.

#### NOTE G - 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 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 \$9,015 and \$11,848 for the years ended December 31, 2021 and 2020, respectively.

#### NOTE H - 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. In 2020, the Agency terminated the five-year lease agreement and entered into a three-year lease agreement for office space at a different location effective July 1, 2020.

The Agency utilizes two copiers under separate 5-year lease agreements, expiring separately in April 2022 and January 2024.

Future minimum rental payments for the years subsequent to December 31, 2021 are as follows:

<u>Year ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2022	\$ 15,734	\$ 2,617	\$ 18,351
2023	7,910	1,947	9,857
2024	-	162	162
Thereafter	-	-	-
Total	<u>\$ 23,644</u>	<u>\$ 4,726</u>	<u>\$ 28,370</u>

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, 2021 and 2020 were \$23,526 and \$78,338, respectively.



## **Big Brothers Big Sisters Hawaii, Inc.**

### Notes to the Financial Statements

#### NOTE I – LEASEHOLD INTEREST

The Agency has an office lease as part of its acquisition 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.

#### NOTE J - 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, 2021, these deposits were in excess of federally insured limits. Uninsured cash, cash equivalents, and certificates of deposit at December 31, 2021 approximated \$110,570.

#### NOTE K - REPORTING OF RELATED ENTITY

Big Brothers Big Sisters Hawaii Foundation, Inc. (the Foundation), a non-profit organization, 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 operated independently. In April 2021, the Foundation ceased operations. In April of 2022, the Foundation was dissolved. During the years ended December 31, 2021 and 2020, the Agency did not receive transfers from the Foundation. During 2020, the Agency received management fees, in the amount of \$4,513, and utilities reimbursement, in the amount of \$3,231, from the Foundation. During 2021, the Agency paid approximately \$37,000 of the Foundation's liabilities which is stated on the Statements of Functional Expenses.

#### NOTE L - LIQUIDITY

The Agency has approximately \$214,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$410,000, investments of \$49,000, grants and accounts receivable of \$452,000, and prepaids of \$17,000, reduced by net assets with donor restrictions of \$714,000. The Agency has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$256,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

#### NOTE M - COVID-19

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 were postponed. In addition, the State of Hawaii and all four counties imposed stay-at-home orders and air travel restrictions. There were adverse effects on the Agency's fundraising revenues due to the economic impact of these government measures and other pandemic related limitations.





## **Big Brothers Big Sisters Hawaii, Inc.**

### Notes to the Financial Statements

#### NOTE M - COVID-19 (continued)

Beginning in Fall 2021, and continuing into 2022, the Agency relaxed rules regarding in-person interactions in accordance with the State of Hawaii, and the State of Hawaii's counties, ending most government-imposed restrictions. In terms of fundraising, and for the first time since the onset of the pandemic, the Agency held an in-person large group event on Maui in September 2022 and will be holding another large group event on Oahu in November 2022.

During 2020, the Agency received \$261,400 in exchange for a note payable to a financial institution under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security Act, P.L. 116-136 (CARES Act). The entire balance of the note was forgiven in June 2021 in accordance with the requirements of the CARES Act and is recognized as government assistance without donor restrictions on the Statement of Activities for the year ended December 31, 2020.

During 2021, the Agency received \$263,735 in exchange for a note payable to a financial institution under the CARES Act as extended and amended by the Economic Aid to Hard-Hit Small Business, Nonprofits, and Venues Act, P.L. 116-260. This note approved February 18, 2021 provides for interest at 1% and requires fully amortizing monthly principal and interest payments from December 2021 until maturity in February 2026. The entire balance of the note was forgiven in November 2021 in accordance with the requirements of the amended CARES Act and is recognized as government assistance without donor restrictions on the Statement of Activities for the year ended December 31, 2021.

#### NOTE N - SUBSEQUENT EVENTS

On April 29, 2022, the Agency received notice from Fidelity Charitable (Fidelity) that a one-time grant of \$1,900,000 was provided on behalf of a donor who participates in Fidelity's donor-advised fund program. The funds were received on May 2, 2022 and will be recognized as revenue in 2022.

Management has reviewed all events that have occurred through September 27, 2022, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

