

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

Financial Statements  
(with Independent Auditor's Report Thereon)  
December 31, 2020 and 2019



**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., which comprise the statements of financial position as of December 31, 2020 and 2019, 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, 2020 and 2019, 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 28, 2021



# Big Brothers Big Sisters Hawaii, Inc.

Statements of Financial Position  
as of December 31, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 765,881	\$ 469,589
Grants and accounts receivable (Note C)	248,279	258,530
Prepaid expenses	10,661	25,426
Certificate of deposit (Note B, E, and F)	-	300,000
Building improvements and equipment (at cost, net of accumulated depreciation of \$280,466 in 2020 and \$268,181 in 2019) (Note D)	265,704	19,319
Present value of leasehold interest (net of accumulated amortization of \$185,830 in 2020 and \$163,967 in 2019) (Note F and I)	714,170	736,033
Total assets	<u>\$ 2,004,695</u>	<u>\$ 1,808,897</u>
	<u>Liabilities and Net Assets</u>	
Liabilities -		
Accounts payable	\$ 175,164	\$ 23,503
Accrued expenses	70,295	87,192
Deferred income	16,575	18,357
Total liabilities	<u>262,034</u>	<u>129,052</u>
Commitments and contingencies (Notes H, I, and J)		
Net assets -		
Without donor restrictions -		
Undesignated	896,828	512,532
Board designated (Note F)	11,337	11,337
Total net assets without donor restrictions	<u>908,165</u>	<u>523,869</u>
With donor restrictions (Note F) -		
Purpose or time	834,496	855,976
Perpetual	-	300,000
Total net assets with donor restrictions	<u>834,496</u>	<u>1,155,976</u>
Total net assets	<u>1,742,661</u>	<u>1,679,845</u>
Total liabilities and net assets	<u>\$ 2,004,695</u>	<u>\$ 1,808,897</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other public support -						
Contributions	\$ 578,949	\$ 759	\$ 579,708	\$ 474,635	\$ 549	\$ 475,184
Government assistance	777,106	-	777,106	660,194	-	660,194
Forgiveness of government note payable (Note N)	261,400	-	261,400	-	-	-
Special events	68,380	-	68,380	462,462	-	462,462
Less direct benefit costs	(4,862)	-	(4,862)	(55,427)	-	(55,427)
United Way contribution	66,689	-	66,689	67,302	-	67,302
Investment income	6,233	-	6,233	8,131	-	8,131
Rental income, net	-	-	-	40	-	40
Other income	213	-	213	1,799	-	1,799
Net assets released from restrictions (Note F)	322,239	(322,239)	-	22,594	(22,594)	-
9 <b>Total revenue, gains, and other public support</b>	<b>2,076,347</b>	<b>(321,480)</b>	<b>1,754,867</b>	<b>1,641,730</b>	<b>(22,045)</b>	<b>1,619,685</b>
Expenses -						
Program	1,070,281	-	1,070,281	1,318,961	-	1,318,961
Fundraising	218,469	-	218,469	276,402	-	276,402
Management and general administration	403,301	-	403,301	372,460	-	372,460
<b>Total expenses</b>	<b>1,692,051</b>	<b>-</b>	<b>1,692,051</b>	<b>1,967,823</b>	<b>-</b>	<b>1,967,823</b>
Change in net assets	384,296	(321,480)	62,816	(326,093)	(22,045)	(348,138)
Net assets, beginning of year	523,869	1,155,976	1,679,845	849,962	1,178,021	2,027,983
Net assets, end 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>

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, 2020 and 2019

2020

2019

	2020			2019				
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Personnel costs	\$ 628,185	\$ 249,081	\$ 119,854	\$ 997,120	\$ 775,891	\$ 226,087	\$ 118,928	\$ 1,120,906
Payroll insurance	79,034	31,338	15,079	125,451	101,664	29,624	15,583	146,871
Payroll taxes	51,440	20,397	9,815	81,652	63,789	18,588	9,778	92,155
Pension expenses (Note G)	7,464	2,960	1,424	11,848	6,925	2,018	1,061	10,004
Training	3,955	1,568	754	6,277	5,496	1,602	843	7,941
Total personnel costs	770,078	305,344	146,926	1,222,348	953,765	277,919	146,193	1,377,877
Occupancy (Note H and I)	60,083	23,823	11,463	95,369	84,174	24,527	12,902	121,603
Professional fees	53,349	21,154	10,179	84,682	47,227	13,762	7,239	68,228
Advertising	43,062	17,075	8,216	68,353	10,280	2,995	1,576	14,851
Match activities expense	34,285	-	-	34,285	38,304	-	-	38,304
Utilities (Note K)	18,261	7,241	3,484	28,986	28,075	8,181	4,303	40,559
Fund development	-	-	26,535	26,535	-	-	81,948	81,948
General insurance	14,322	5,679	2,733	22,734	15,980	4,656	2,449	23,085
Program scholarships	18,325	-	-	18,325	17,000	-	-	17,000
Dues and subscriptions	8,602	5,261	4,174	18,037	12,546	6,036	3,671	22,253
Dues to national organization	11,721	3,585	-	15,306	17,327	3,804	-	21,131
Depreciation	7,739	3,069	1,477	12,285	7,819	2,278	1,198	11,295
Maui building repairs	6,364	4,242	-	10,606	5,461	3,641	-	9,102
Travel	6,494	1,715	722	8,931	19,514	15,064	8,363	42,941
Rental equipment (Note H)	3,701	1,468	706	5,875	4,103	1,195	629	5,927
Auto expenses	2,672	767	361	3,800	13,800	2,016	2,707	18,523
Supplies	2,034	807	388	3,229	5,252	1,530	805	7,587
Repairs and maintenance	1,292	513	247	2,052	6,198	1,806	950	8,954
Postage and shipping	1,038	411	198	1,647	1,702	496	261	2,459
Printing and publications	1,048	240	224	1,512	1,440	881	328	2,649
Volunteers	3,525	-	-	3,525	23,251	-	-	23,251
Miscellaneous	2,286	907	436	3,629	5,743	1,673	880	8,296
Total expenses	\$ 1,070,281	\$ 403,301	\$ 218,469	\$ 1,692,051	\$ 1,318,961	\$ 372,460	\$ 276,402	\$ 1,967,823

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, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Cash received from contributions	\$ 1,431,972	\$ 1,121,417
Cash received from special events	63,518	407,035
Interest and dividends received	6,233	8,171
Cash received from other income	213	1,797
Cash paid for personnel costs and vendors	(1,668,692)	(1,920,102)
Net cash used in operating activities	(166,756)	(381,682)
Cash flows from investing activities:		
Sale of certificate of deposit	300,000	-
Purchase of building improvements	(92,857)	-
Purchase of equipment	(5,495)	(3,351)
Net cash provided by/(used in) investing activities	201,648	(3,351)
Cash flows from financing activities:		
Proceeds from government note payable (Note N)	261,400	-
Net cash provided by financing activities	261,400	-
Change in cash and cash equivalents	296,292	(385,033)
Cash and cash equivalents, beginning of year	469,589	854,622
Cash and cash equivalents, end of year	\$ 765,881	\$ 469,589
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ 62,816	\$ (348,138)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	12,285	11,295
Amortization of leasehold interest in property	21,863	21,862
Forgiveness of government note payable (Note N)	(261,400)	-
Change in operating assets and liabilities:		
Grants and accounts receivable	10,251	(52,030)
Prepaid expenses	14,765	8,007
Accounts payable	(8,657)	6,164
Accrued expenses	(16,897)	391
Deferred income	(1,782)	(29,233)
Net cash used in operating activities	\$ (166,756)	\$ (381,682)
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 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.

#### 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 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, 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.

The Agency has a policy of appropriating for expenditure each year all investment income generated from the endowment, which amounted to approximately \$6,561 and \$5,999 in 2020 and 2019, respectively, and which are presented as revenues without donor restrictions on the statements of activities. There were no board designated endowments at December 31, 2020 or 2019.

##### 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)

##### Investment Policy (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. There were no exchange transactions recorded in the Statement of Activities for the years ended December 31, 2020 and 2019.

##### 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, 2016 and prior.

#### Reclassifications -

Certain reclassifications have been made to the December 31, 2019 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### NOTE C - GRANTS AND ACCOUNTS RECEIVABLE

Grants receivable at December 31, 2020 and 2019 are stated at amounts the Agency expects to collect. All grants receivable at December 31, 2020 and 2019 were deemed fully collectible.

#### NOTE D – BUILDING IMPROVEMENTS AND EQUIPMENT

Building improvements and equipment as of December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture, fixtures, and equipment	\$292,995	\$287,500
Maui building improvements	253,175	-
	<u>546,170</u>	<u>287,500</u>
Less accumulated depreciation	<u>(280,466)</u>	<u>(268,181)</u>
Total building improvements and equipment, net	<u>\$265,704</u>	<u>\$ 19,319</u>

Depreciation expense was \$979 and \$1,307 for the years ended December 31, 2020 and 2019, respectively.

#### 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, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 300,000	\$ 300,000
Investment income	-	6,561	6,561
Releases	306,561	(306,561)	-
Appropriation of endowment assets for expenditure	(306,561)	-	(306,561)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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
Releases	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 - 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 at both December 31, 2020 and 2019. 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 F - NET ASSETS (continued)

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

As of December 31, 2020 and 2019, net assets with time or purpose donor restrictions consisted of the following:

	2020	2019
Present value of leasehold interest in real property with the County of Maui. The lease expires on September 1, 2053.	\$ 714,170	\$ 736,033
The Harold K.L. Castle Foundation's grant supports the Agency's Holomua mentoring program.	67,635	67,635
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.	12,240	11,482
The Honolulu Rotary Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	10,451	10,826
Total	\$ 834,496	\$ 855,976

For the years ended December 31, 2020 and 2019, net assets released from restrictions consisted of the following:

	2020	2019
Endowment fund	\$ 300,000	\$ -
Leasehold interest in Maui property	21,863	21,863
Honolulu Rotary scholarship	376	500
Holomua Program	-	231
Total	\$ 322,239	\$ 22,594

##### 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.



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### 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 \$11,848 and \$10,004 for the years ended December 31, 2020 and 2019, 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, 2020 are as follows:

<u>Year ending December 31,</u>	<u>Office</u>	<u>Equipment</u>	<u>Total</u>
2021	\$ 15,563	\$ 4,628	\$ 20,191
2022	15,648	2,617	18,265
2023	7,910	1,947	9,857
2024	-	162	162
Thereafter	-	-	-
Total	<u>\$ 39,121</u>	<u>\$ 9,354</u>	<u>\$ 48,475</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, 2020 and 2019 were \$79,382 and \$105,668, respectively.

#### 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.





## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### 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, 2020, these deposits were in excess of federally insured limits. Uninsured cash, cash equivalents, and certificates of deposit at December 31, 2020 approximated \$249,000.

#### NOTE K - 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. Subsequent to year-end, in April 2021, the Foundation ceased operations.

Summarized financial data for the Foundation are as follows:

	(Unaudited) 2020	(Unaudited) 2019
As of December 31:		
Total assets	\$ 34,449	\$ 56,947
Total liabilities	(59,034)	(110,320)
Total net assets	<u>\$ (24,585)</u>	<u>\$ (53,373)</u>
For the years ended December 31:		
Revenues	\$ 581,288	\$ 1,208,276
Expenses	(552,500)	(1,186,181)
Change in net assets	<u>\$ 28,788</u>	<u>\$ 22,095</u>

During the years ended December 31, 2020 and 2019, the Agency did not receive transfers from the Foundation. During 2020 and 2019, the Agency received management fees, in the amount of \$4,513 and \$23,582, and utilities reimbursement, in the amount of \$3,231 and \$1,127, from the Foundation, respectively.

#### NOTE L - LIQUIDITY

The Agency has \$180,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$766,000, and grants and accounts receivable of \$248,000, reduced by net assets with donor restrictions of \$834,000. The Agency has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$280,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



## Big Brothers Big Sisters Hawaii, Inc.

### Notes to the Financial Statements

#### NOTE M - 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.

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.

#### NOTE N - 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.

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.

Subsequent to year-end, 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. Management expects the entire balance to be forgiven in accordance with the requirements of the CARES Act, as amended.



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

## Notes to the Financial Statements

### NOTE O - SUBSEQUENT EVENTS

Management has reviewed all events that have occurred through September 28, 2021, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

