

Big Brothers Big Sisters Hawaii, Inc.

Financial Statements
(with Independent Auditor's Report Thereon)
December 31, 2023 and 2022



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, 2023 and 2022, 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, 2023 and 2022, 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, 2022 financial statements, and our report dated August 30, 2023 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, 2023, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters Hawaii, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 and Kosaki CPAs Inc.

Honolulu, Hawaii
August 22, 2024



Big Brothers Big Sisters Hawaii, Inc.

Statements of Financial Position as of December 31, 2023 and 2022

	<u>Assets</u>	2023	2022
Cash and cash equivalents		\$ 2,012,368	\$ 2,404,716
Investments		53,138	35,861
Grants and accounts receivable (Note C)		314,469	210,193
Prepaid expenses		16,557	6,918
Inventory		48,965	47,895
Capital assets (at cost, net of accumulated depreciation of \$351,795 in 2023 and \$327,722 in 2022, Note E)		241,307	265,380
Right-of-use office (at cost, net of accumulated amortization of \$4,306 in 2023 and \$13,802 in 2022, Note F)		75,173	2,794
Right-of-use equipment (at cost, net of accumulated amortization of \$9,243 in 2023 and \$7,312 in 2022, Note F)		168	2,099
Present value of contributed rent (net of accumulated amortization of \$251,417 in 2023 and \$229,555 in 2022) (Note G and I)		648,583	670,446
Total assets		<u>\$ 3,410,728</u>	<u>\$ 3,646,302</u>
<u>Liabilities and Net Assets</u>			
Liabilities -			
Accounts payable		\$ 54,679	\$ 27,831
Accrued expenses		77,880	58,512
Lease liability (Note F)		75,474	5,072
Total liabilities		<u>208,033</u>	<u>91,415</u>
Commitments and contingencies (Notes F, I, and J)			
Net assets -			
Without donor restrictions -			
Undesignated		2,476,404	2,866,862
Total net assets without donor restrictions		<u>2,476,404</u>	<u>2,866,862</u>
With donor restrictions (Note G) -			
Purpose or time		726,291	688,025
Total net assets with donor restrictions		<u>726,291</u>	<u>688,025</u>
Total net assets		<u>3,202,695</u>	<u>3,554,887</u>
Total liabilities and net assets		<u>\$ 3,410,728</u>	<u>\$ 3,646,302</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, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains, and other public support -						
Contributions	\$ 406,773	\$ 64,734	\$ 471,507	\$ 2,434,968	\$ 5,500	\$ 2,440,468
Government assistance	776,289	-	776,289	786,055	-	786,055
Employee Retention Tax Credit (Note H)	-	-	-	240,010	-	240,010
Special events	526,242	-	526,242	209,253	-	209,253
Less direct benefit costs	(94,572)	-	(94,572)	(28,829)	-	(28,829)
United Way contribution	57,151	-	57,151	52,846	-	52,846
Investment income	95,899	-	95,899	3,923	-	3,923
Other income	6,427	-	6,427	7,916	-	7,916
Net assets released from restrictions (Note G)	26,468	(26,468)	-	31,362	(31,362)	-
Total revenue, gains, and other public support	<u>1,800,677</u>	<u>38,266</u>	<u>1,838,943</u>	<u>3,737,504</u>	<u>(25,862)</u>	<u>3,711,642</u>
Expenses -						
Program	1,312,564	-	1,312,564	1,342,730	-	1,342,730
Fundraising	431,160	-	431,160	225,016	-	225,016
Management and general administration	447,411	-	447,411	397,523	-	397,523
Total expenses	<u>2,191,135</u>	<u>-</u>	<u>2,191,135</u>	<u>1,965,269</u>	<u>-</u>	<u>1,965,269</u>
Change in net assets	<u>(390,458)</u>	<u>38,266</u>	<u>(352,192)</u>	<u>1,772,235</u>	<u>(25,862)</u>	<u>1,746,373</u>
Net assets, beginning of year, as previously reported	2,866,862	688,025	3,554,887	1,094,989	713,887	1,808,876
Adoption of new accounting standard	-	-	-	(362)	-	(362)
Net assets, beginning of year, as restated	<u>2,866,862</u>	<u>688,025</u>	<u>3,554,887</u>	<u>1,094,627</u>	<u>713,887</u>	<u>1,808,514</u>
Net assets, end of year	<u>\$ 2,476,404</u>	<u>\$ 726,291</u>	<u>\$ 3,202,695</u>	<u>\$ 2,866,862</u>	<u>\$ 688,025</u>	<u>\$ 3,554,887</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, 2023 and 2022

	2023				2022			
	Program	Management and General	Fundraising	Total	Program	Management and General	Fundraising	Total
Personnel costs	\$ 987,333	\$ 122,167	\$ 128,794	\$ 1,238,294	\$ 962,854	\$ 92,488	\$ 78,577	\$ 1,133,919
Payroll insurance	111,125	8,563	17,897	137,585	110,303	7,885	16,562	134,750
Payroll taxes	88,712	9,832	11,469	110,013	77,526	7,193	6,421	91,140
Training	7,420	3,753	-	11,173	6,670	3,828	418	10,916
Pension expenses (Note K)	-	8,791	-	8,791	-	8,937	-	8,937
Total personnel costs	1,194,590	153,106	158,160	1,505,856	1,157,353	120,331	101,978	1,379,662
Fund development	6,276	821	190,982	198,079	4,715	-	62,842	67,557
Professional fees	31,399	111,041	300	142,740	12,279	118,261	10,349	140,889
Occupancy (Note F and I)	3,534	46,638	393	50,565	800	41,408	-	42,208
Advertising	1,810	4,168	42,529	48,507	1,733	1,164	25,986	28,883
Match activities expense	19,618	2,142	14,360	36,120	41,141	2,578	2,166	45,885
Utilities	19,761	6,075	3,595	29,431	19,162	5,890	3,538	28,590
Dues and subscriptions	602	16,007	7,808	24,417	996	14,174	8,842	24,012
Depreciation	-	24,073	-	24,073	-	23,142	-	23,142
Travel	738	16,902	5,322	22,962	3,201	11,712	747	15,660
Maui building repairs	2,511	16,286	651	19,448	3,255	4,261	1,338	8,854
Dues to national organization	-	19,145	-	19,145	-	17,579	-	17,579
General insurance	-	14,924	-	14,924	-	20,960	-	20,960
Program scholarships	14,250	-	-	14,250	24,459	-	-	24,459
Auto expenses	6,543	2,937	1,315	10,795	7,086	2,634	1,626	11,346
Supplies	818	4,669	318	5,805	2,820	6,847	1,687	11,354
Rental equipment (Note F)	3,986	401	1,007	5,394	3,095	2,227	1,119	6,441
Volunteers	3,497	349	-	3,846	6,401	-	-	6,401
Repairs and maintenance	1,705	792	743	3,240	2,720	-	450	3,170
Postage and shipping	842	1,183	196	2,221	513	882	201	1,596
Printing and publications	33	16	5	54	283	703	235	1,221
Donations	-	-	-	-	50,000	-	-	50,000
Miscellaneous	51	5,736	3,476	9,263	718	2,770	1,912	5,400
Total expenses	<u>\$ 1,312,564</u>	<u>\$ 447,411</u>	<u>\$ 431,160</u>	<u>\$ 2,191,135</u>	<u>\$ 1,342,730</u>	<u>\$ 397,523</u>	<u>\$ 225,016</u>	<u>\$ 1,965,269</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, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Cash received from contributions	\$ 1,200,671	\$ 3,520,747
Cash received from Employee Retention Tax Credit (Note H)	-	240,010
Cash received from special events	526,242	209,253
Interest and dividends received	95,899	3,923
Cash paid for other expense, net of cash received from other income	(10,849)	7,916
Cash paid for personnel costs and vendors	(2,204,311)	(1,969,313)
Net cash used in operating activities	(392,348)	2,012,536
Cash flows from investing activities:		
Sale of investments	-	13,148
Purchase of building improvements	-	(8,490)
Purchase of equipment	-	(22,080)
Net cash provided by/(used in) investing activities	-	(17,422)
Change in cash and cash equivalents	(392,348)	1,995,114
Cash and cash equivalents, beginning of year	2,404,716	409,602
Cash and cash equivalents, end of year	\$ 2,012,368	\$ 2,404,716
Reconciliation of change in net assets to net cash used in operating activities		
Change in net assets	\$ (352,192)	\$ 1,746,373
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	24,073	23,142
Amortization of leasehold interest in property (Note G and I)	21,862	21,862
Amortization of right-of-use assets (Note F)	(46)	(183)
Net realized and unrealized gain on investments	(17,276)	-
Change in operating assets and liabilities:		
Grants and accounts receivable	(104,276)	241,378
Prepaid expenses and inventory	(10,709)	(17,952)
Accounts payable	26,848	12,820
Accrued expenses	19,368	(14,904)
Net cash (used in)/provided by operating activities	\$ (392,348)	\$ 2,012,536

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.

Use of Estimates in Financial Statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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 and expenses during the reporting period. Actual results could differ from those estimates.

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.

Leases -

Short-term leases with an initial term of 12 months or less and month-to-month arrangements are recognized as an expense on a straight-line basis over the lease term. All other leases are recognized as operating leases or finance leases at lease commencement. The Agency uses its incremental borrowing rate in determining lease liabilities since leases generally do not provide an implicit rate.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued) -

Lease terms are reassessed if a significant event or change in circumstances occurs within the Agency's control.

During 2022, the Agency adopted Accounting Standards Update 2016-02, Leases, as amended by other pronouncements. The Agency elected to adopt the lease standards retrospectively as of January 1, 2022. As a result, right-of-use equipment increased by \$4,022, right-of-use office increased by \$8,348, operating lease liability increased by \$12,732, and net assets without donor restrictions decreased by \$362 at January 1, 2022.

Investments -

Investments are recorded at fair value on the Statements of Financial Position. Realized and unrealized gains and losses are included in the Statements of Activities.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities may occur in the near term and that such changes could materially differ from the amounts reported in the financial statements.

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.

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 Purpose or Time Donor Restrictions -

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.

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

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, 2023 and 2022.

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.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Advertising -

Advertising costs are expensed as incurred.

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, 2019 and prior.

NOTE C - GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable at December 31, 2023 and 2022 are stated in the Statements of Financial Position at amounts the Agency expects to collect. All grants and accounts receivable at December 31, 2023 and 2022 were deemed fully collectible.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE D - FAIR VALUE MEASUREMENT

Accounting Standards Codification (ASC) 820-10, Fair Value Measurements, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under ASC 820-10 are as follows:

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

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Various valuation methodologies are used to value assets measured at fair value. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The inputs used for valuing securities are not an indication of the risk associated with investing in those securities.

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



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE D - FAIR VALUE MEASUREMENT (continued)

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of December 31, 2023:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
U.S. equity securities	\$ 53,138	\$ -	\$ -	\$ 53,138
Total assets in the fair value hierarchy	<u>\$ 53,138</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,138</u>

The following table sets forth by level, within the fair value hierarchy, the Agency's investments at fair value as of December 31, 2022:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total
U.S. equity securities	\$ 35,861	\$ -	\$ -	\$ 35,861
Total assets in the fair value hierarchy	<u>\$ 35,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,861</u>

NOTE E - CAPITAL ASSETS

Capital assets as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Furniture, fixtures, and equipment	\$331,437	\$331,437
Maui building improvements	261,665	261,665
	<u>593,102</u>	<u>593,102</u>
Less accumulated depreciation	(351,795)	(327,722)
Total building improvements and equipment, net	<u>\$241,307</u>	<u>\$265,380</u>

Depreciation expense was \$24,073 and \$23,142 for the years ended December 31, 2023 and 2022, respectively.

Subsequent to year-end, the Agency, in collaboration with another local non-profit organization, tentatively agreed to a purchase and sale agreement to jointly acquire real property in Kakaako, Hawaii, for \$7,300,000. The transaction is expected to close in late 2024.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE F - OPERATING LEASES

The Agency leases its office space and equipment under operating leases. The Agency entered into a three-year lease agreement for office space, effective July 1, 2020, which was extended on a month-to-month basis through December 31, 2023. The Agency entered into a new three-year lease agreement for office space, effective November 1, 2023, of which the Agency pays for its share of common area charges, which include general excise tax and real property tax. Also, the Agency utilizes a copier under a 5-year lease agreement, expiring in January 2024.

The Agency also leases two storage spaces on a month-to-month basis amounting to \$457 per month combined.

The future minimum annual rental commitments required under the office and equipment leases are as follows:

Year ending December 31,	Office	Equipment	Total
2024	\$ 26,834	\$ 162	\$ 26,996
2025	27,639	-	27,639
2026	25,967	-	25,967
Thereafter	-	-	-
Total	80,440	162	80,602
Less: interest portion	(5,128)	-	(5,128)
Present value of minimum lease payments	<u>\$ 75,312</u>	<u>\$ 162</u>	<u>\$ 75,474</u>

Supplemental information related to operating leases for 2023 are as follows:

Lease cost:	
Amortization of right-of-use assets	\$ 9,030
Interest on lease liabilities	306
Total	<u>\$ 9,336</u>

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows	\$ 9,376
Weighted-average remaining lease term	2.9 years
Weighted-average discount rate	2.68%

Rental expenses for operating leases for the years ended December 31, 2023 and 2022 were \$33,067 and \$25,454, respectively.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE G - NET ASSETS

Net Assets with Purpose or Time Donor Restrictions -

As of December 31, 2023 and 2022, net assets with purpose or time donor restrictions consisted of the following:

	2023	2022
Present value of future contributed rent of real property by the County of Maui (Note I).	\$ 648,583	\$ 670,446
The Freeman Family Foundation Grant is limited to support of the Voices of Potential Program.	50,000	-
Sponsors made early Maui-restricted contributions in connection with a Perfect Pairings special event, originally scheduled for 2023 but event was later postponed until after December 31, 2023.	14,734	-
The Kualoa Ranch Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	8,772	8,772
The Honolulu Rotary Scholarship Fund's educational scholarships are limited to children currently or formerly involved in the Agency's program.	2,452	3,307
The RJ Big Brothers Big Sisters Hawaii Scholarship Fund educational scholarships are limited to children currently or formerly involved in the Agency's program.	1,750	5,500
Total	\$ 726,291	\$ 688,025

For the years ended December 31, 2023 and 2022, net assets released from purpose or time donor restrictions consisted of the following:

	2023	2022
Contributed rent for Maui property	\$ 21,862	\$ 21,862
RJ BBBS HI scholarship	3,750	-
Honolulu Rotary scholarship	856	3,000
RJ Hayashida scholarship	-	4,000
Kualoa Ranch scholarship	-	2,500
Total	\$ 26,468	\$ 31,362



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE H - 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. There was no ERC related income recorded as revenue on the Statements of Activities for the year ended December 31, 2023. However, ERC related income was recorded as revenue on the Statements of Activities for the year ended December 31, 2022, in the amount of \$240,010. There were no ERC receivables as of December 31, 2023 and 2022.

NOTE I - CONTRIBUTED RENT

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 below market value and 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. Contributed rent represents the net present value of the difference between the fair rental value of the property and the stated amount of the lease payments, which does not exceed the fair value of the property at the lease commencement date. The amount is considered a donor restricted asset and will be released to net assets without donor restrictions over the lease term.

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, 2023, these deposits were in excess of federally insured limits. The Agency had uninsured cash and cash equivalents at December 31, 2023 amounting to approximately \$1,826,000.

NOTE K - 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 \$8,791 and \$8,937 for the years ended December 31, 2023 and 2022, respectively.

NOTE L - COVID-19

On March 20, 2020, in response to health concerns related to COVID-19, the Agency transitioned to maintaining 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. 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 resumed in-person large group events in the second half of 2022.



Big Brothers Big Sisters Hawaii, Inc.

Notes to the Financial Statements

NOTE M - LIQUIDITY

The Agency has approximately \$1,719,000 of financial assets available within 1 year of the balance sheet date to meet cash needs for general expenditure, consisting of cash of \$2,012,000, investments of \$53,000, grants and accounts receivable of \$314,000, inventory of \$49,000, and prepaids of \$17,000, reduced by net assets with donor restrictions of \$726,000. The Agency has a goal to maintain financial assets on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$381,000. The Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE N - SUBSEQUENT EVENTS

Management has reviewed all events that have occurred through August 22, 2024, the date the financial statements were available for issuance, for proper accounting and disclosure in the financial statements.

