

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

ANGIE VICKERY, CPA, PC
CERTIFIED PUBLIC ACCOUNTANT

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of the Shoals
Florence, Alabama

I have audited the accompanying financial statements of Big Brothers Big Sisters of the Shoals, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and the related statements of activities, functional expenses, and cash flows for the year 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

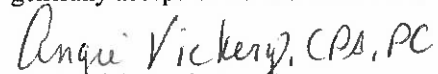
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of the Shoals, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Angie Vickery, CPA, PC
March 25, 2021

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020

ASSETS

| | |
|---------------------------|--------------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 194,594 |
| Accounts receivable | 1,000 |
| Grants receivable | 1,000 |
| Prepaid expenses | <u>449</u> |
| Total current assets | <u>197,043</u> |
| Fixed Assets: | |
| Equipment | 15,570 |
| Accumulated depreciation | <u>(13,745)</u> |
| Net fixed assets | <u>1,825</u> |
| TOTAL ASSETS | <u>\$ 198,868</u> |

LIABILITIES AND NET ASSETS

| | |
|-----------------------------------------|--------------------------|
| Current Liabilities: | |
| Accrued expenses | \$ 719 |
| Accrued interest | 634 |
| Accrued payroll expenses | 5,262 |
| Deferred support | 3,336 |
| SBA loan payable | <u>737</u> |
| Total current liabilities | <u>10,688</u> |
| Noncurrent Liabilities: | |
| SBA loan payable | <u>59,763</u> |
| Total noncurrent liabilities | <u>59,763</u> |
| Total liabilities | <u>70,451</u> |
| Net Assets: | |
| With donor restrictions | 9,000 |
| Without donor restrictions | <u>119,417</u> |
| Total net assets | <u>128,417</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 198,868</u> |

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

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--------------------------------------|-------------------------------|----------------------------|-------------------|
| SUPPORT | | | |
| Grants | \$ 216,262 | \$ - | \$ 216,262 |
| Contributions | 32,949 | 9,000 | 41,949 |
| In-kind contributions | 49,185 | - | 49,185 |
| Fundraisers | 15,204 | - | 15,204 |
| Other | 4,141 | - | 4,141 |
| TOTAL SUPPORT | <u>317,741</u> | <u>9,000</u> | <u>326,741</u> |
| EXPENSES: | | | |
| Program services: | | | |
| Mentoring services | <u>203,448</u> | <u>-</u> | <u>203,448</u> |
| Support services: | | | |
| Management and general | 9,288 | - | 9,288 |
| Fundraising | 16,107 | - | 16,107 |
| Total support services | <u>25,395</u> | <u>-</u> | <u>25,395</u> |
| TOTAL EXPENSES | <u>228,843</u> | <u>-</u> | <u>228,843</u> |
| INCREASE IN NET ASSETS | 88,898 | 9,000 | 97,898 |
| NET ASSETS, BEGINNING OF YEAR | <u>30,519</u> | <u>-</u> | <u>30,519</u> |
| NET ASSETS, END OF YEAR | <u>\$ 119,417</u> | <u>\$ 9,000</u> | <u>\$ 128,417</u> |

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

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

| | Program Services | | Support Services | | Total Expenses |
|--------------------------|--------------------|------------------------|------------------|------------------------|-------------------|
| | Mentoring Services | Management and General | Fundraising | Total Support Services | |
| Advertising | \$ 1,891 | \$ 111 | \$ 222 | \$ 333 | \$ 2,224 |
| Bonus | 696 | 77 | 77 | 154 | 850 |
| Business insurance | 9,511 | 560 | 1,119 | 1,679 | 11,190 |
| Childrens activities | 4,510 | - | - | - | 4,510 |
| Communications | 2,584 | 152 | 304 | 456 | 3,040 |
| Conferences and meetings | 2,250 | 298 | 163 | 461 | 2,711 |
| Depreciation | 623 | - | - | - | 623 |
| Dues, national and other | 7,065 | 38 | 76 | 114 | 7,179 |
| Equipment rental | 2,870 | 169 | 338 | 507 | 3,377 |
| Interest | - | 634 | - | 634 | 634 |
| Occupancy | 34,383 | 2,022 | 4,045 | 6,067 | 40,450 |
| Office supplies | 1,231 | 70 | 141 | 211 | 1,442 |
| Payroll taxes | 8,398 | 327 | 606 | 933 | 9,331 |
| Postage and shipping | 556 | 33 | 65 | 98 | 654 |
| Professional fees | 4,900 | - | - | - | 4,900 |
| Salaries | 113,325 | 4,407 | 8,185 | 12,592 | 125,917 |
| Scholarship | 2,000 | - | - | - | 2,000 |
| Technology | 5,972 | 351 | 703 | 1,054 | 7,026 |
| Travel | 683 | 39 | 63 | 102 | 785 |
| Total expenses | \$ 203,448 | \$ 9,288 | \$ 16,107 | \$ 25,395 | \$ 228,843 |

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

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash flows from operating activities:

| | | |
|----------------------------------------------|----|-----------------------|
| Change in net assets | \$ | 97,898 |
| Depreciation | | 623 |
| Decrease in grants receivable | | 15,247 |
| Increase in prepaid expenses | | (81) |
| Decrease in accrued expenses | | (3,806) |
| Increase in accrued interest | | 634 |
| Decrease in accrued payroll expenses | | (90) |
| Decrease in deferred support | | <u>(6,664)</u> |
| Net cash provided by operating activities | | <u>103,761</u> |
| | | |
| Cash flows from investing activities | | |
| Purchase of equipment | | <u>(1,918)</u> |
| Net cash used by investing activities | | <u>(1,918)</u> |
| | | |
| Cash flows from financing activities | | |
| Loan proceeds | | <u>60,500</u> |
| Net cash provided by financing activities | | <u>60,500</u> |
| | | |
| Net increase in cash and cash equivalents | | 162,343 |
| Cash and cash equivalents, beginning of year | | <u>32,251</u> |
| Cash and cash equivalents, end of year | \$ | <u><u>194,594</u></u> |

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

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

1. NATURE OF ACTIVITIES

Big Brothers Big Sisters of the Shoals, Inc. (the Organization) is a nonprofit organization dedicated to helping single-parent children in northwest Alabama by building friendships through a one-on-one matching program with screened adult volunteers. The stated mission of the Organization is to make a positive difference in the lives of children and youth, primarily through a professionally supported one-on-one relationship with a caring adult, and to assist them in achieving their highest potential as they grow to become confident, competent, and caring individuals, by providing committed volunteers, leadership, and standards of excellence.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – Net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Income Taxes – The Organization operates as a nonprofit organization whose revenue is derived from contributions and other fund-raising activities and is not subject to federal or state taxes. The Organization is exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions – The Organization files an annual Form 990 with the Internal Revenue Service and its returns for the year ended 2017 and subsequent years remain subject to examination by tax authorities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statement.

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting practices 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Concentrations of Credit and Market Risk – Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions and credit exposure is limited to any one institution. The Organization has not experienced any losses on its cash equivalents.

Grants and Accounts Receivable – Grants and accounts receivable are stated at the amount management expects to collect from outstanding balances. Management considers the grants and accounts receivable fully collectible and does not have an allowance for uncollectible accounts as of December 31, 2020.

Prepaid Expenses – Prepaid expenses consist of prepaid insurance premiums.

Property and Equipment – Purchased property and equipment is recorded at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. Donated property is recorded as income at its fair market value and depreciated using the straight-line method over the estimated life of the asset.

Accrued Payroll Expenses – Accrued expenses consist of unpaid payroll taxes and accrued salaries.

Revenue Recognition – Support from contributions and grants are recognized when pledged.

Evaluation of Subsequent Events – The Organization has evaluated subsequent events through March 25, 2021 which is the date the financial statements were available to be issued.

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

3. OPERATING LEASE COMMITMENT

The Organization renewed the existing lease beginning March 1, 2020 and ending February 28, 2021. The Organization operated under the terms of the lease during the entire year. Rent expense under the agreement for the year ended December 31, 2020 totaled \$8,100.

| | |
|--------------------------|-----------------|
| 2021 | \$ 1,350 |
| 2022 and following years | <u>0</u> |
| | <u>\$ 1,350</u> |

4. CASH AND CASH EQUIVALENTS

| | |
|------------------------------|-------------------|
| Listerhill – General Account | \$ 81,028 |
| Listerhill – Share Account | 424 |
| BBVA – Money Market | <u>113,142</u> |
| TOTAL | <u>\$ 194,594</u> |

5. GRANTS AND ACCOUNTS RECEIVABLE/DEFERRED SUPPORT

Grants receivable consists of a Relief Grant from the City of Florence for \$1,000. Accounts receivable consist of amounts due from red bay buddies of \$1,000.

Deferred support consists entirely of grant funds received from the Alabama Department of Child Abuse & Neglect Prevention for \$3,336.

6. EQUIPMENT AND ACCUMULATED DEPRECIATION

Equipment consisted of the following at December 31:

| | |
|-------------------------------|-----------------|
| Office equipment | \$14,719 |
| Office furniture | <u>851</u> |
| | 15,570 |
| Less accumulated depreciation | <u>(13,745)</u> |
| | <u>\$ 1,825</u> |

Depreciation expense was \$623 for the year ending December 31, 2020.

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

7. NOTES PAYABLE

The Organization received a Small Business Administration loan in July 2020 in the amount of \$60,500. This loan is secured by assets of the organization, payable in monthly installments of \$259 beginning July 2021, including interest at 2.75%. Any balance of principal or interest will be payable thirty years from the date of the note.

Maturities of notes payable during the period ending December 31 are:

| Fiscal Year Ending December 31, | Principal | Interest | Total |
|------------------------------------|-----------------|-----------------|-----------------|
| 2021 | \$ 737 | \$ 817 | \$ 1,554 |
| 2022 | 1,503 | 1,605 | 3,108 |
| 2023 | 1,545 | 1,563 | 3,108 |
| 2024 | 1,587 | 1,521 | 3,108 |
| 2025 | 1,631 | 1,477 | 3,108 |
| Thereafter | 53,497 | 18,695 | 72,192 |
| Total | \$60,500 | \$25,678 | \$86,178 |

8. SUMMARY OF GRANTS

| <u>Funding Source</u> | <u>Recognized Support</u> |
|---------------------------------------|---------------------------|
| United Way | \$ 36,228 |
| State of Alabama - ADCANP | 94,164 |
| SBA Paycheck Protection Program | 22,320 |
| State of Alabama – Revive Grant | 20,000 |
| State of Alabama – Coronavirus Relief | 15,000 |
| Long Lewis Foundation Grant | 10,000 |
| SBA Economic Injury Grant | 7,000 |
| Colbert County Development | 3,000 |
| Wal Mart | 2,500 |
| Other | 6,050 |
| Total | <u>\$216,262</u> |

9. IN-KIND CONTRIBUTIONS

In-kind contributions are recorded in the statement of activities as support as well as the related functional expense category. Items recorded are included at their fair value at the time of the donation. In-kind contributions for the year ended December 31, 2020 are comprised of the following:

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

| | |
|----------------------|------------------|
| Salaries | \$ 12,600 |
| Rent | 32,350 |
| Childrens activities | 4,000 |
| Communications | 225 |
| Office supplies | <u>10</u> |
| Total | <u>\$ 49,185</u> |

Contributed services are recognized by the Organization if the services received (a) create or enhance non-financial assets and (b) require specialized skill, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Volunteers donated time for volunteer support activities to assist the Organization in performing program, fundraising, and administrative services during the year, however, these volunteer services do not meet the recognition criteria.

10. PAYCHECK PROTECTION PROGRAM ACCOUNTING

Big Brothers Big Sisters of the Shoals, Inc. received funds in the amount of \$22,320 from the Paycheck Protection Program in April 2020. The accounting for those funds is recorded in accordance with IAS 20. IAS 20 indicates a forgivable loan is treated as a governmental grant and recognized as income when there is reasonable assurance that the entity will meet the terms of forgiveness of the loan. Management believes this reasonable assurance is met. In fiscal year 2020, \$22,320 was reported as support from grants, which covered \$22,320 in payroll costs that were incurred from April 2020 to October 2020.

11. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among mentoring services and supporting services. Such allocations are determined by management on an equitable basis.

Expenses that are allocated based on time and effort include bonus, employee benefits, payroll taxes, salaries, and travel. Expenses that are allocated based on estimated area benefited are business insurance, communications, conferences and meetings, dues and subscriptions, equipment rental, maintenance, occupancy, office supplies, and postage and shipping.

BIG BROTHERS BIG SISTERS OF THE SHOALS, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020

12. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions as of December 31, 2020 consist of \$9,000 in contributions to be used for the purchase or construction of a building.

Management has decided to not classify assets held for programs such as "Children's Activities", "Technology", and "Child Safety" as temporarily restricted since they are all simply variations of the main program.

13. LIQUIDITY

Big Brothers Big Sisters of the Shoals, Inc.'s financial assets available within one year of the date of the statement of financial position for general expenditure are as follows:

| | |
|----------------------------------------------------------------------------------------|------------------|
| Cash and cash equivalents | \$194,594 |
| Accounts receivable | 1,000 |
| Grants receivable | 1,000 |
| Prepaid expenses | <u>449</u> |
| Total financial assets | <u>197,043</u> |
| | |
| Donor-designated building fund | <u>(9,000)</u> |
| | |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$188,043</u> |

Big Brothers Big Sisters of the Shoals, Inc.'s financial assets have been reduced by amounts not available for general use because of donor imposed restrictions within one year of the balance sheet date.

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

14. SPECIAL EVENTS

Special events generate revenue for the Organization as well as raise awareness about the organization's mission. Special events are annual and support the Organization's central activities. Accordingly, support of \$18,534 and direct expenses of \$3,330 are recorded in the accompanying Statement of Activities.