



**FINANCIAL STATEMENTS**

**Year Ended December 31, 2022**

**with**

**Independent Auditors' Report**

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**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

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## **Independent Auditors' Report**

The Board of Directors  
Big Brothers Big Sisters Columbia Northwest

### **Opinion**

We have audited the accompanying financial statements of Big Brothers Big Sisters Columbia Northwest (BBBS), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year 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 BBBS as of December 31, 2022, 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.

### **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of BBBS and to meet our other 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.

### **Change in Accounting Principle**

As discussed in *Note 2* to the financial statements, BBBS has adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to that matter.

### **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; and for 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 BBBS' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditors' 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 auditors' 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omission, 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 BBBS' 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 BBBS' 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 audit findings, and certain internal control related matters that we identified during the audit.

## **Report on Summarized Comparative Information**

We have previously audited BBBS' 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2022. 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.

*Herman, Stewart & Schmitt, P.C.*

Lake Oswego, Oregon  
June 16, 2023

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Statement of Financial Position**

<b>December 31, 2022</b> <i>(With Comparative Amounts for 2021)</i>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,987,263	\$ 907,802
Investments <i>(Note 4)</i>	1,501,504	-
Unconditional promises to give <i>(Note 5)</i>	282,500	-
Government grants receivable	113,104	159,485
Prepaid expenses	22,496	24,087
Operating right-of-use assets, net <i>(Note 8)</i>	233,100	-
Property and equipment, net <i>(Note 6)</i>	21,937	11,827
<b>Total assets</b>	<b>\$ 5,161,904</b>	<b>\$ 1,103,201</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 62,260	\$ 8,675
Accrued payroll and related expenses	26,578	43,602
Accrued vacation pay	42,534	43,883
Deferred rent liability	-	19,914
Refundable advances	-	500
Operating lease liabilities <i>(Note 8)</i>	251,999	-
<b>Total liabilities</b>	<b>383,371</b>	<b>116,574</b>
Commitments and contingencies <i>(Notes 7, 8, 10, and 11)</i>		
<b>Net assets:</b>		
Without donor restrictions:		
Board-designated	50,000	50,000
Undesignated	4,353,208	844,646
Total without donor restrictions	4,403,208	894,646
With donor restrictions <i>(Note 9)</i>	375,325	91,981
<b>Total net assets</b>	<b>4,778,533</b>	<b>986,627</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,161,904</b>	<b>\$ 1,103,201</b>

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

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Statement of Activities**

**Year Ended December 31, 2022** *(With Comparative Totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
<b>Revenues, gains, and support:</b>				
Contributions and grants <i>(Note 11)</i>	\$ 4,456,300	\$ 437,226	\$ 4,893,526	\$ 671,453
Government grants	8,000	284,605	292,605	315,676
Special events:				
Gross receipts	526,114	-	526,114	462,449
Less direct cost of donor benefits	(115,981)	-	(115,981)	(89,055)
Net proceeds from special events	410,133	-	410,133	373,394
In-kind contributions	-	-	-	21,896
Other income	2,309	-	2,309	1,860
Net assets released from restrictions <i>(Note 9)</i>	438,487	(438,487)	-	-
<b>Net revenues, gains, and support</b>	<b>5,315,229</b>	<b>283,344</b>	<b>5,598,573</b>	<b>1,384,279</b>
<b>Expenses:</b>				
Program services	1,048,760	-	1,048,760	741,085
General and administration	423,017	-	423,017	362,336
Fundraising	464,924	-	464,924	399,171
<b>Total expenses</b>	<b>1,936,701</b>	<b>-</b>	<b>1,936,701</b>	<b>1,502,592</b>
<b>Increase (decrease) in net assets from operations</b>	<b>3,378,528</b>	<b>283,344</b>	<b>3,661,872</b>	<b>(118,313)</b>
<b>Non-operating revenue:</b>				
Paycheck Protection Program grant	-	-	-	207,901
Employee Retention Credit <i>(Note 12)</i>	73,248	-	73,248	-
Investment return	56,786	-	56,786	-
<b>Total non-operating revenue</b>	<b>130,034</b>	<b>-</b>	<b>130,034</b>	<b>207,901</b>
<b>Increase in net assets</b>	<b>3,508,562</b>	<b>283,344</b>	<b>3,791,906</b>	<b>89,588</b>
Net assets, beginning of year	894,646	91,981	986,627	897,039
<b>Net assets, end of year</b>	<b>\$ 4,403,208</b>	<b>\$ 375,325</b>	<b>\$ 4,778,533</b>	<b>\$ 986,627</b>

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

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Statement of Functional Expenses**

**Year Ended December 31, 2022** *(With Comparative Totals for 2021)*

	Program Services	General and		Total	
		Administration	Fundraising	2022	2021
Salaries	\$ 659,741	\$ 241,341	\$ 291,600	\$1,192,682	\$ 922,602
Payroll taxes and benefits	116,619	42,661	51,545	210,825	153,827
Total salaries and related expenses	776,360	284,002	343,145	1,403,507	1,076,429
Activities	40,256	1,362	78	41,696	30,896
Conferences and meetings	19,863	7,539	5,199	32,601	1,050
Depreciation	3,643	561	1,401	5,605	3,188
Donated advertising	-	-	-	-	15,000
Dues and memberships	12,409	3,777	3,266	19,452	22,334
Events	372	-	23,485	23,857	25
Insurance	9,922	1,804	3,307	15,033	15,047
IT management	60,404	22,377	19,549	102,330	57,246
Miscellaneous	1,292	5,682	8,668	15,642	19,724
Office supplies and minor equipment	341	4,788	30	5,159	3,703
Postage and printing	1,737	886	8,835	11,458	13,608
Professional services	35,807	58,788	30,086	124,681	135,451
Recruitment activities	24,950	10,825	128	35,903	17,976
Rent/lease expense	50,283	13,993	13,870	78,146	75,230
Repairs and maintenance	-	2,662	-	2,662	3,951
Taxes and licenses	-	848	304	1,152	993
Telephone	9,734	2,754	2,184	14,672	9,352
Travel	1,387	369	1,389	3,145	1,389
	<b>\$1,048,760</b>	<b>\$ 423,017</b>	<b>\$ 464,924</b>	<b>\$1,936,701</b>	<b>\$1,502,592</b>

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

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Statement of Cash Flows**

<b>Year Ended December 31, 2022</b> <i>(With Comparative Totals for 2021)</i>	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets	\$ 3,791,906	\$ 89,588
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	5,605	3,188
Net change in operating lease right-of-use asset and liability	(1,015)	-
Net realized and unrealized gains on investments	(19,005)	-
Contribution of investments	(1,486,850)	-
Loss on sale of property and equipment	1,060	-
Changes in:		
Unconditional promises to give	(282,500)	40,000
Government grants receivable	46,381	(14,897)
Prepaid expenses	1,591	7,619
Accounts payable	53,585	(3,541)
Accrued payroll and related expenses	(17,024)	(7,215)
Accrued vacation pay	(1,349)	(2,384)
Deferred rent liability	-	(1,069)
Refundable advances	(500)	(23,000)
<b>Net cash provided by operating activities</b>	<b><u>2,091,885</u></b>	<b><u>88,289</u></b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(16,775)	(7,613)
Proceeds from sale of investments	4,351	-
<b>Net cash used by investing activities</b>	<b><u>(12,424)</u></b>	<b><u>(7,613)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>2,079,461</b>	<b>80,676</b>
Cash and cash equivalents, beginning of year	<u>907,802</u>	<u>827,126</u>
<b>Cash and cash equivalents, end of year</b>	<b><u><u>\$ 2,987,263</u></u></b>	<b><u><u>\$ 907,802</u></u></b>

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



**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements**

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**1. Nature of Activities**

Big Brothers Big Sisters Columbia Northwest (BBBS) connects children facing adversity with volunteer mentors, known as Big Brothers and Sisters (Bigs). Through this mentor relationship (aka: match), children experience improved health, school, and life success. Bigs serve as role models, advisors, and build bonds that help children overcome challenges and build skills and experiences for life. BBBS is a local nonprofit organization and independent affiliate of Big Brothers Big Sisters of America. BBBS raises its support and revenue primarily from local sources, including individuals, corporations, events, and foundations in the greater Portland-Vancouver area. BBBS' corps of professionally-supported volunteer Bigs extends BBBS' reach and influence as the largest mentoring organization in the Portland Metro area.

**2. Summary of Significant Accounting Policies**

**Basis of Accounting** - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Basis of Presentation** - Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of BBBS and changes therein are classified and reported as follows:

*Net assets without donor restrictions* represent net assets not subject to donor-imposed stipulations.

*Net assets with donor restrictions* represent net assets subject to donor-imposed stipulations that may or will be met by actions of BBBS and/or the passage of time.

Expenses are reported as decreases in net assets without restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with 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 and expenses during the reporting period. Actual results could differ from those estimates. Estimates are used in the financial statements for, among other things, the calculation of the allowance for doubtful accounts, the useful lives of equipment for calculating depreciation expense, and certain allocations of expenses by function.

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies – Continued**

**Adoption of New Accounting Standards** - Effective January 1, 2022, BBBS adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, which requires a lessee to record a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months. Leases are classified as either financing or operating, with classification affecting the recognition, measurement, and presentation of expenses and cash flows.

Upon adoption of the new guidance, BBBS elected to apply several practical expedients, including: (1) not reassessing existing contracts to determine whether they are or contain a lease; (2) not reassessing existing leases to determine whether they are an operating or financing lease; and (3) not reassessing any initial direct costs for existing leases.

BBBS adopted ASU 2016-02 using the modified retrospective approach, which resulted in the recognition of an operating ROU assets of \$236,977 (net of the previously recognized accumulated deferred rent liability of \$19,914) and associated operating lease liabilities of \$256,890 as of January 1, 2022.

Additionally, effective January 1, 2022, BBBS has adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU, among other things, requires in-kinds to be separately listed in the statement of activities and enhanced disclosures about monetization of in-kind donations, valuation techniques, and donor restrictions. The adoption of this standard did not have a significant impact on the financial statements.

**Cash and Cash Equivalents** - BBBS considers all short-term investments with an original maturity of three months or less to be cash equivalents.

**Investments and Fair Value Measurements** - Investments are reported at fair value based on quoted market prices and consist of bond mutual funds, equity mutual funds, and exchange traded funds.

GAAP provides the framework for measuring fair value. The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data. At December 31, 2022, there were no liabilities measured at fair value.

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued  
Investments and Fair Value Measurements - Continued**

The three levels of the fair value hierarchy under GAAP and the valuation methodologies used for assets are described below:

*Level 1:* Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets BBBS 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 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:* Fair value is based on significant unobservable inputs.

The asset'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

BBBS recognizes transfers into and out of levels within the fair value hierarchy at the actual date of the event or change in circumstances that caused the transfer.

**Receivables** - BBBS uses the allowance method to account for uncollectible accounts. The allowances for uncollectible contributions and grants are estimated by management based on various factors, including history and current economic conditions. BBBS does not charge interest on any outstanding receivable. Receivables are written off after reasonable collection efforts have been made. At December 31, 2022, there was \$14,890 outstanding greater than 90 days. Management does not believe an allowance for doubtful accounts is necessary.

**Property and Equipment** - Property and equipment are recorded at cost when purchased or at estimated fair value at date of donation. Property and equipment acquisitions and improvements exceeding \$500 are capitalized. Depreciation is provided on the straight-line basis over the estimated useful lives of the assets, which range from three to ten years.

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**Contribution Recognition** - BBBS recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

A portion of BBBS' revenue is derived from federal and state and local government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when BBBS has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. BBBS has been awarded cost reimbursable grants of approximately \$270,000 that have not been recognized at December 31, 2022 because qualifying expenditures have not yet been incurred.

BBBS reports gifts of cash and other assets as 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 are reported in the statement of activities as net assets released from restrictions.

BBBS reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, BBBS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-kind contributions of supplies and other items used in program services are valued at estimated fair value at the date of gift. No such items were received during the year ended December 31, 2022. Donated professional services are recognized as contributions if the services: (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. No such services were received during the year ended December 31, 2022. In addition, BBBS receives a significant amount of volunteer time each year that does not meet the criteria for recognition in the financial statements, and that time is important in the delivery of BBBS' programs.

**Special Events** - BBBS considers special event revenue to equal the fair value of direct benefits to donors, which approximates the direct cost of those benefits. Excess receipts are considered contributions and are recognized as revenue when the related event takes place. Amounts received in advance of the event taking place are recorded as refundable advances. There were no such advances at December 31, 2022.

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

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**2. Summary of Significant Accounting Policies - Continued**

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional and natural basis in the statement of functional expenses. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program and supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll costs, depreciation, technology, occupancy, supplies, and equipment. These expenses are allocated using estimates of time and effort.

**Advertising** - BBBS charges all non-direct advertising costs to expense as incurred. Advertising expense for the year ended December 31, 2022, was \$26,752.

**Income Taxes** - BBBS is a not-for-profit corporation, exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. BBBS is not classified as a private foundation.

BBBS files informational returns with the Internal Revenue Service (IRS) and the Charitable Activities Section of the Oregon Department of Justice. Generally, these returns are subject to examination for three years from the filing of the return.

Management does not believe BBBS has any tax positions that do not meet the more likely than not criteria. Accordingly, BBBS has not recorded any liability for uncertain tax positions to its major tax jurisdictions. BBBS did not record any penalty or interest related to its tax positions and if any were recorded, those amounts would be included in general and administration expenses. There are currently no tax examinations in progress.

**Summarized Financial Information for 2021** - The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with BBBS' financial statements for the year ended December 31, 2021, from which the summarized information was derived.

**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

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**3. Liquidity and Availability of Resources**

BBBS' financial assets available for general expenditure within one year consist of the following at December 31, 2022:

Cash and cash equivalents	\$ 2,987,263
Investments	1,501,504
Government grants receivable	113,104
Unconditional promises to give to be collected in one year	<u>232,500</u>
Total financial assets available within one year	4,834,371
Less:	
Amounts unavailable for general expenditures within one year:	
Restricted by donors as to purpose	<u>275,325</u>
Total financial assets available to management for general expenditure within one year	<u><u>\$ 4,559,046</u></u>

BBBS maintains a policy for structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, to help manage with unanticipated liquidity needs, BBBS has a line of credit with a maximum commitment of \$400,000 which management can draw upon (*Note 7*).

**4. Investments and Fair Value Measurements**

Investments, all level 1 in the fair value hierarchy, consist of the following at December 31, 2022:

Bond mutual funds	\$ 80,835
Equity mutual funds	1,122,865
Exchange traded funds	<u>297,804</u>
	<u><u>\$ 1,501,504</u></u>

No investments were held at December 31, 2021.

**BIG BROTHERS BIG SISTERS  
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**Notes to Financial Statements - Continued**

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**5. Unconditional Promises to Give**

Unconditional promises expected to be collected in less than one year totaled \$232,500 and in one to five years totaled \$50,000 at December 31, 2022. BBBS had no unconditional promises to give at December 31, 2021.

Management has elected not to calculate any discount to present value on pledges due beyond one year, as such amount would not be significant to the financial statements.

**6. Property and Equipment**

	<b>2022</b>	<b>2021</b>
Office equipment	\$ 40,784	\$ 42,251
Furniture	3,923	3,923
Computer equipment	<u>60,517</u>	<u>43,742</u>
	105,224	89,916
Less accumulated depreciation	<u>(83,287)</u>	<u>(78,089)</u>
Property and equipment - net	<u><u>\$ 21,937</u></u>	<u><u>\$ 11,827</u></u>

**7. Line of Credit**

BBBS has a \$400,000 line of credit available with Pacific West Bank, which matures in October 2023. Interest is payable monthly at the Wall Street Journal prime rate plus 1.75 percent per annum (9.25 percent at December 31, 2022). The line of credit is secured by accounts and equipment. There were no borrowings on the line of credit at December 31, 2022.

**BIG BROTHERS BIG SISTERS  
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**Notes to Financial Statements - Continued**

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**8. Operating Lease Commitments**

BBBS determines if an arrangement is a lease or a service contract at inception. A contract is determined to be or to contain a lease if the contract conveys the right to control the use of an identified asset in exchange for consideration. When an arrangement is a lease, BBBS determines whether it is an operating or finance lease.

Leases result in recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments, measured on a discounted basis. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability, adjusted for any direct costs, prepaid or deferred rent, and lease incentives. BBBS has elected not to separate lease components from non-lease components, and to apply the short-term lease exception, which does not require the capitalization of leases with a term of 12 months or less. Short-term leases are recognized as expense on a straight-line basis over the term of the lease. Variable lease payments, if any, are recognized as expense in the period in which the obligation for payment is incurred. BBBS considers any options to extend or terminate a lease when determining the lease term, and only options that BBBS believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities.

BBBS leases its main office and copier under operating leases with 5-year initial terms. Some leases may include renewal options which can extend the lease term. The exercise of these renewal options are generally at the discretion of BBBS, and only lease options that BBBS believes are reasonably certain to be exercised are included in the measurement of the ROU assets and lease liabilities. The lease agreements do not include any residual value guarantees or restrictive covenants. BBBS has elected to use the risk-free rate of return as the discount rate as neither the rate implicit in the lease nor the BBBS's incremental borrowing rate are readily available.

The following summarizes the line items in the statement of financial position which include amounts for operating leases as of December 31, 2022:

Operating right-of-use assets	\$ 233,100
Total operating lease liabilities	\$ 251,999

Rent/lease expense for operating leases and short-term rentals was \$78,146 for the year ended December 31, 2022. Rent/lease expense was composed of the following as of December 31, 2022:

Operating lease expense	\$ 75,504
Short-term lease expense	2,642
	<u>\$ 78,146</u>



**BIG BROTHERS BIG SISTERS  
COLUMBIA NORTHWEST**

**Notes to Financial Statements - Continued**

**8. Operating Lease Commitments - Continued**

The following summarizes the cash flow information related to operating leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities for operating leases included in operating cash flows	\$ 76,518
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	\$ 326,245

Weighted average lease term and discount rate were as follows at December 31, 2022:

Weighted-average remaining lease term (in years)	2.42
Weighted-average discount rate for operating leases	0.99%

The maturities of operating lease liabilities were as follows as of December 31, 2022:

<b>Years Ending December 31,</b>	<b>Amount</b>
2023	\$ 104,439
2024	101,493
2025	<u>49,072</u>
	255,004
Less present value discount	<u>(3,005)</u>
Operating lease liabilities	<u><u>\$ 251,999</u></u>

**BIG BROTHERS BIG SISTERS  
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**Notes to Financial Statements - Continued**

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**9. Net Assets with Donor Restrictions**

Net assets with donor restrictions for the following purpose or periods at December 31:

	<b>2022</b>	<b>2021</b>
Subject to specific program purposes	\$ 275,325	\$ 84,481
Subject to passage of time	<u>100,000</u>	<u>7,500</u>
Total net assets with donor restrictions	<u>\$ 375,325</u>	<u>\$ 91,981</u>

During the year ended December 31, 2022, net assets of \$438,487 were released from donor restrictions through specific actions of BBBS and/or the passage of time.

**10. Retirement Plan**

BBBS maintains a 401(k) retirement plan (the 401(k) Plan) for employees meeting specific eligibility criteria. Employees are eligible to participate in the Plan from the first day of employment and must be over 18. Employer contributions are vested when the employee becomes eligible. Discretionary contributions are allowed under the Plan, but are not required.

During the year ended December 31, 2022, no employer discretionary contributions were made to the 401(k) Plan.

**11. Concentrations and Contingencies**

BBBS maintains its cash balances primarily in one financial institution. From time to time, BBBS may have deposits in excess of federally insured limits at this financial institution.

Reimbursement claims under various government grants and contracts are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability. BBBS is not aware of any communications from granting agencies regarding the lack of compliance with grant or contract conditions that could result in a liability.

During the year ended December 31, 2022, two donors accounted for 81 percent of contributions and grants.

**BIG BROTHERS BIG SISTERS  
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**Notes to Financial Statements - Continued**

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**12. Employee Retention Credit**

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), was enacted in response to the COVID-19 pandemic. This act, among other things, provided fully refundable tax credits (known as the employee retention credit, or “ERC”) against the employer share of federal payroll taxes for employers who meet certain criteria. Subsequent legislation has expanded the eligibility criteria and availability of the ERC through September 30, 2021.

BBBS has elected to account for ERC tax credits received as a government grant using accounting guidance provided by Accounting Standards Codification 958-605: *Not-for-Profit Entities - Revenue Recognition*. Accordingly, ERC tax credits totaling \$73,248 were recognized as revenue when the qualifying expenses were incurred and are included in the accompanying statement of activities.

**13. Subsequent Events**

Management has evaluated subsequent events through June 16, 2023, the date the financial statements were available to issue.