

BIG BROTHERS BIG SISTERS OF ALASKA

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Alaska

Report on the Financial Statements

Opinion

We have audited the financial statements of Big Brothers Big Sisters of Alaska (BBBSAK) (a nonprofit organization), 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 financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of BBBSAK 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 BBBSAK 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 BBBSAK's ability to continue as a going concern for 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 GAAS 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 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 GAAS, 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 BBBSAK'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 BBBSAK'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 audit findings, and certain internal control-related matters that we identified during the audit.

Elgee Rehfeld

June 14, 2024

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 296,293	\$ 259,528
Cash and cash equivalents - board designated	92,712	200,000
Accounts receivable:		
Grants	50,371	90,221
United Way	23,920	60,496
Other	134,638	105,977
Prepaid expenses	<u>22,383</u>	<u>16,925</u>
Total current assets	620,317	733,147
RESTRICTED - CASH AND CASH EQUIVALENTS	9,169	9,169
NON-CURRENT ASSETS		
Right-of-use asset	91,254	114,464
Investments - board designated	202,288	-
OTHER ASSETS	<u>7,802</u>	<u>7,581</u>
Total assets	<u><u>\$ 930,830</u></u>	<u><u>\$ 864,361</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 13,781	\$ 58,218
Payroll related liabilities	35,103	24,313
Accrued leave	40,123	38,107
Current portion of operating lease liabilities	23,356	21,926
Other current liabilities	3,146	-
Refundable advances	<u>130,234</u>	<u>10,860</u>
Total current liabilities	245,743	153,424
NON-CURRENT LIABILITIES		
Non-current operating lease liabilities	<u>69,692</u>	<u>93,048</u>
Total liabilities	<u>315,435</u>	<u>246,472</u>
NET ASSETS		
Net assets without donor restrictions:		
Board designated - operating reserve	295,000	200,000
Undesignated	311,226	408,720
Net assets with donor restrictions	<u>9,169</u>	<u>9,169</u>
Total net assets	<u>615,395</u>	<u>617,889</u>
Total liabilities and net assets	<u><u>\$ 930,830</u></u>	<u><u>\$ 864,361</u></u>

BIG BROTHERS BIG SISTERS OF ALASKA

STATEMENTS OF ACTIVITIES

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Changes in net assets without donor restrictions:		
REVENUES, GAINS, AND OTHER SUPPORT		
Contributions of cash and financial assets:		
Affiliate - For the Kids Foundation	\$ 270,000	\$ 200,000
Individual donors	92,383	102,215
Corporate donors	118,413	79,390
Special event contributions	54,307	75,347
United Way	50,299	92,074
Gaming	27,778	22,708
Contributions of nonfinancial assets	1,288	4,013
Grants:		
Federal government	267,723	566,854
State of Alaska	105,183	138,770
Local government	37,392	50,077
Other	47,090	2,250
Local contract revenue	117,370	97,529
Investment income, net	5,089	249
Total revenues, gains, and other support	<u>1,194,315</u>	<u>1,431,476</u>
EXPENSES - DIRECT		
Program services	851,459	1,087,303
Supporting services:		
General and administrative	198,328	193,032
Fundraising	145,734	148,779
EXPENSES - IN-KIND		
Program services	1,288	500
Supporting services:		
General and administrative	-	963
Fundraising	-	2,550
Total expenses	<u>1,196,809</u>	<u>1,433,127</u>
Change in net assets without donor restrictions	(2,494)	(1,651)
NET ASSETS, beginning of year	<u>617,889</u>	<u>619,540</u>
NET ASSETS, end of year	<u><u>\$ 615,395</u></u>	<u><u>\$ 617,889</u></u>

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2023

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 642,877	\$ 92,356	\$ 66,270	\$ 801,503
Professional fees	45,045	88,542	64,947	198,534
Facilities	45,201	(782)	2,359	46,778
Advertising	30,670	595	1,300	32,565
Dues and subscriptions	23,492	1,178	1,642	26,312
Agency activities and screening	25,012	-	-	25,012
Insurance	17,072	5,379	-	22,451
Travel	14,149	1,517	1,130	16,796
Office	5,487	5,251	318	11,056
Other expenses	1,371	3,077	1,885	6,333
Special events expense	-	-	5,554	5,554
Bad debt allowance	-	1,215	-	1,215
Equipment	1,083	-	-	1,083
Gaming expenses	-	-	329	329
Total direct expenses	<u>851,459</u>	<u>198,328</u>	<u>145,734</u>	<u>1,195,521</u>
IN-KIND EXPENSES				
Agency activities	<u>1,288</u>	<u>-</u>	<u>-</u>	<u>1,288</u>
Total in-kind expenses	<u>1,288</u>	<u>-</u>	<u>-</u>	<u>1,288</u>
Total expenses	<u>\$ 852,747</u>	<u>\$ 198,328</u>	<u>\$ 145,734</u>	<u>\$ 1,196,809</u>

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services	Supporting Services		Total Expenses
		General and Administrative	Fundraising	
DIRECT EXPENSES				
Salaries, wages, benefits and taxes	\$ 661,778	\$ 130,073	\$ 49,992	\$ 841,843
Professional fees	208,974	47,686	84,588	341,248
Facilities	76,443	4,562	6,978	87,983
Other expenses	31,397	2,633	1,089	35,119
Dues and subscriptions	27,266	2,123	1,218	30,607
Agency activities and screening	26,371	-	-	26,371
Insurance	20,137	3,373	-	23,510
Travel	18,402	727	63	19,192
Advertising	11,243	-	475	11,718
Office	3,360	1,855	162	5,377
Special events expense	-	-	3,744	3,744
Equipment	1,932	-	-	1,932
Gaming expenses	-	-	470	470
Total direct expenses	<u>1,087,303</u>	<u>193,032</u>	<u>148,779</u>	<u>1,429,114</u>
IN-KIND EXPENSES				
Agency activities	500	-	-	500
Contracted services	-	963	2,550	3,513
Total in-kind expenses	<u>500</u>	<u>963</u>	<u>2,550</u>	<u>4,013</u>
Total expenses	<u>\$ 1,087,803</u>	<u>\$ 193,995</u>	<u>\$ 151,329</u>	<u>\$ 1,433,127</u>

BIG BROTHERS BIG SISTERS OF ALASKA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operations:		
Cash received from contributions and support	\$ 620,653	\$ 468,293
Cash received from grants and contracts	739,071	864,872
Investment income received	221	201
Cash outflows for operations:		
Cash paid to employees	(785,551)	(845,235)
Cash paid to suppliers	<u>(442,629)</u>	<u>(547,445)</u>
Net cash provided by (used for) operating activities	131,765	(59,314)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(202,288)</u>	<u>-</u>
Net cash used for investing activities	<u>(202,288)</u>	<u>-</u>
Change in cash and cash equivalents	(70,523)	(59,314)
Cash and cash equivalents (unrestricted and restricted) at beginning of year	<u>468,697</u>	<u>528,011</u>
Cash and cash equivalents (unrestricted and restricted) at end of year	<u><u>\$ 398,174</u></u>	<u><u>\$ 468,697</u></u>
Supplemental disclosure of non-cash investing and financing activity: right-of-use assets obtained in exchange for lease obligations - Operating lease	<u><u>\$ -</u></u>	<u><u>\$ 122,057</u></u>

BIG BROTHERS BIG SISTERS OF ALASKA
NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2023 and 2022

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Alaska (BBBSAK) is a nonprofit community organization dedicated to providing mentoring relationships between children and adults that provide a direct, measurable and lasting impact on children's lives. BBBSAK is affiliated with Big Brothers Big Sisters of America and serves the State of Alaska. A board of directors governs BBBSAK's activities.

Basis of Accounting

The financial statements of BBBSAK have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The financial statements of BBBSAK have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require BBBSAK to report information regarding its financial position and activities according to the following net asset classifications:

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 BBBSAK. These net assets may be used at the discretion of BBBSAK's management and the board of directors.

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 BBBSAK 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 statements of activities.

Classification of Transactions

All revenues are reported as increases in net assets without donor restrictions in the statements of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. BBBSAK also classifies donor restricted amounts as unrestricted if it satisfied the restriction in the same fiscal year in which the support was received. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Income Tax

BBBSAK is a nonprofit organization that is exempt from federal taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. BBBSAK is not classified as a private foundation. BBBSAK sells pull tabs to help fund its mentoring services, the revenue from which is subject to unrelated business income tax to the extent that revenues are not used for allowable expenditures as required under state gaming regulations. BBBSAK has no tax expenses related to unrelated business activity as of December 31, 2023 and 2022.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

BBBSAK follows the provisions of FASB ASC 740 *Income Taxes*, and management believes it has appropriate support for any tax positions taken. BBBSAK's federal income tax returns (Form 990) are subject to possible examination by the Internal Revenue Service until the expiration of the related statute of limitations on those tax returns, which, in general, have a three-year statute of limitations.

Cash and Cash Equivalents

For purposes of the statements of cash flows, BBBSAK considers the balances in its demand deposit and savings accounts, money market funds, prepaid credit cards, and certificates of deposit with an initial maturity of three months or less, and petty cash to be cash and cash equivalents. BBBSAK follows the requirements that gaming cash be maintained in a separate bank account.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents are restricted by donors for long-term purposes. Restricted cash and cash equivalents are comprised of the two endowment funds. Restrictions are described further in Note 5.

Accounts Receivable

Grants receivables arise from incurrence of allowable grant costs which have not yet been reimbursed by the granting agency. There is no allowance for uncollectible grants receivable accounts as all grant receivables are considered collectible at December 31, 2023 and 2022.

United Way receivables are stated at the pledged value.

Other receivables consist of contract receivables as well as credit card donations and other donations received at year-end that had not yet been deposited.

Equipment

Purchased equipment is carried at cost. Donated equipment is carried at the approximate fair value at the date of donation. Depreciation is calculated by the straight-line method over the useful lives of the assets. BBBSAK capitalizes all expenditures for equipment in excess of \$5,000. Costs for repairs and maintenance are charged to operating expense as incurred; major renewals and betterments are capitalized. There were no capitalized assets for the years ended December 31, 2023 and 2022.

Investments

The investments are valued at cost plus reinvested interest, which approximates fair value. Interest income for BBBSAK's investments is recorded in the statements of activities as investment income.

Compensated Absences

All permanent employees accrue paid time-off (leave) from their date of hire. Employees can carry up to 180 hours of unused personal leave at any one time. An employee forfeits unused hours in excess of this amount. The cost of personal leave pay is recognized in the financial statements as it is accrued. Unused personal leave at termination is compensated in the form of a lump sum payment.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

Right-of-Use Lease Assets and Lease Liabilities

BBBSAK determines if an arrangement is a lease at inception of the contract. Right-of-use assets represent the right to use the underlying assets for the lease term and lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. BBBSAK has elected the option to use a rate that approximates the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable.

BBBSAK does not recognize leases, for operating or finance type, with an initial term of 12 months or less ("short-term leases") or leases with a present value of lease payments over the lease term below \$5,000 (lease threshold) on the statements of financial position, and the lease expense for these short-term and lease threshold leases is recognized on a straight-line basis over the lease term within facilities in the statement of functional expenses.

BBBSAK's operating lease is for office space rental. The lease term is 5 years. The exercise of lease renewal options is at BBBSAK's sole discretion. For accounting purposes, options to extend or terminate the lease are included in the lease term when it is reasonably certain that the option will be exercised. Operating lease liabilities represent the obligation to make lease payments arising from the lease and is recognized at the lease commencement date based on the present value of lease payments over the lease term. The lease agreement does not contain any material residual value guarantees, restrictions or covenants.

Revenue Recognition

BBBSAK receives revenue and support from various federal, state, and other granting agencies, as well as money from individual and corporate donors.

Contributions of Cash and Financial Assets

Contributions are recorded in the statements of activities when received. Contributions received are recorded as support with donor restrictions, or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

BBBSAK reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such as when a stipulated time restriction ends or purpose is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction. Contributions that are received and for which donor restrictions expire in the same period are recorded as support without donor restrictions.

Unconditional promises to give (pledges) are recognized as revenue in the period in which the promises are made, and as assets, decreases in liabilities, or expenses depending upon the form of the benefits to be received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unrestricted.

Contributions of Nonfinancial Assets

Donated services are recognized as contributions of nonfinancial assets in accordance with FASB ASC 958-605-25-16, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people possessing those skills, and would otherwise be purchased by BBBSAK.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

Contributed materials are recorded as a contribution at estimated fair value on the date of donation and are reported as an increase in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets, if any, donated with explicit restrictions regarding their use are reported as contributions of nonfinancial assets with donor restrictions.

No contributions of nonfinancial assets received in fiscal year 2023 or 2022 were restricted. BBBSAK does not sell in-kind gifts and only uses donated services and materials for its own program and supporting services activities.

Grants

Grants or contracts awarded to BBBSAK from federal, state, local, or other organizations are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes and are accounted for as conditional contributions. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

Contracts

BBBSAK recognizes revenue from contracts with customers as "local contract revenue" in the statements of activities. There is one single payor, the State of Alaska Department of Health and Social Services through the Temporary Assistance for Needy Families (TANF) program. There is a single performance obligation and revenue is satisfied over time and recognized based on actual costs incurred and in relation to total expected contract fees. Revenue is recognized in the period in which services are performed, which is when performance obligations are satisfied. Contract liabilities, that is consideration received prior to BBBSAK's satisfaction of performance obligations, are reported as deferred revenue in the statements of financial position. No contract liabilities or deferred revenue exist as of December 31, 2023 or 2022. BBBSAK reports contracts receivable as "accounts receivable – other" in the statements of financial position when it has satisfied its performance obligations under a contract and BBBSAK's right to consideration is unconditional because only the passage of time is required before payment of that consideration is due. The amount of contracts receivable recorded to "accounts receivable – other" was \$117,370 and \$97,529 as of December 31, 2023 and 2022, respectively. Management evaluates contracts receivable for collectability on a periodic basis and has determined all amounts to be collectible. Accordingly, no allowance for uncollectible contracts receivable has been recorded in the financial statements for fiscal year 2023 or 2022. Contract assets are reported in the statements of financial position if BBBSAK has satisfied its performance obligations under a contract but has not yet received payment and does not have an unconditional right to the consideration. No contract assets exist as of December 31, 2023 or 2022.

Endowments

BBBSAK's endowments consist of Lanie's Fund, which was initially contributed as an endowment to Big Brothers Big Sisters Anchorage, and a contribution to Big Brother Big Sisters Fairbanks. As required by US GAAP, net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Therefore, these contributions are presented as net assets with donor restrictions. Only the original contribution amount was restricted by the donor and the interest earned on these endowments is available to be used for operations.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

Functional Allocation of Expenses

The cost of providing BBBSAK's various programs and other activities has been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. BBBSAK uses grant costing as its basis for allocating costs among program and supporting services categories. Costs common to multiple functions have been allocated among the various functions benefitted using a reasonable allocation method that is consistently applied, as follows:

- Salaries, wages, benefits and taxes are allocated based on each employee's area of service to the organization.
- Facilities are allocated based on the payroll allocations described above.
- Office expenditures are based on a combination of direct and indirect allocation. The indirect allocation is used for purchases such as bulk paper purchases, copier printing costs, etc.
- Equipment is based on an indirect allocation that is based on a usage study.

Advertising Costs

Advertising costs are expensed as incurred.

Fair Value Measurement

BBBSAK follows FASB ASC 820 *Fair Value Measurements*, which provides a framework for measuring fair value and requires that an entity determine fair value based on exit price from the principal market for the asset or liability being measured.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Subsequent Events

BBBSAK's management has evaluated subsequent events through the date of the Independent Auditor's Report, which is commensurate with the date the financial statements were available to be issued.

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BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures without donor or other restriction limiting their use, within one year of December 31, 2023:

Financial assets at year end*:	
Cash and cash equivalents	\$ 305,462
Cash and cash equivalents - board designated	92,712
Accounts receivable	208,929
Investments - board designated	<u>202,288</u>
Total financial assets	<u>809,391</u>

Less those unavailable for general expenditure within one year,
due to contractual or donor-imposed restrictions:

Cash and investments subject to donor-imposed restrictions:	
Endowment fund - "Lanie's Fund"	(8,169)
Endowment fund - Big Brothers Big Sisters of Fairbanks	<u>(1,000)</u>
	<u>(9,169)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 800,222</u>
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*Total assets, less nonfinancial assets (e.g. prepaid expenses, other assets)

NOTE 3 – INVESTMENTS

As of December 31, 2023 BBBSAK holds \$202,288 in Certificates of Deposit (CDs). These CDs are invested with Northrim Bank and have maturity dates ending April 16, 2024 and April 16, 2025. The CDs are classified as non-current assets.

NOTE 4 – RETIREMENT PLAN

BBBSAK offers a tax deferred retirement plan to all employees under a Thrift Plan, as allowed by the Internal Revenue Service code section 403(b). The Thrift Plan allows all employees to make contributions up to prescribed limits. Participants over 18 years of age who have completed one year of service for BBBSAK are eligible to receive employer contributions. Employer contributions to the plan are discretionary. Employer contributions are 100% vested after three years of service. BBBSAK has no contribution expenses for the years ended December 31, 2023 and 2022.

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods at December 31:

	2023	2022
An endowment (Lanie's Fund) established at BBBS-Anchorage	\$ 8,169	\$ 8,169
Donation for an endowment fund for BBBS-Fairbanks	1,000	1,000
Total net assets with donor restrictions	<u>\$ 9,169</u>	<u>\$ 9,169</u>

NOTE 6 – BOARD DESIGNATED OPERATING RESERVE

The Board designated operating reserve consists of board designated net assets, board designated investments, and board designated cash as of December 31, 2023 and 2022. For the year ended December 31, 2023 there was \$92,712 in restricted cash and \$202,288 in investments, as reported in the accompanying statements of financial position. For the year ended December 31, 2022 there was \$200,000 in restricted cash as reported in the accompanying statements of financial position. The designation of net assets has not been established as a result of any legal or regulatory requirement, but by the decision of the Board of Directors of BBBSAK in fiscal year 2022. The policy regarding the board designation of net assets will be reviewed every other year, at minimum, by the Finance Committee, or sooner if warranted by internal or external events or changes. Changes to the policy will be recommended by the Finance Committee to the Board of Directors.

NOTE 7 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

BBBSAK recognized contributions of nonfinancial assets within revenue, including agency activities and contracted services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. The components of contributions of nonfinancial assets are listed as in-kind expenses, in the accompanying statement of functional expenses.

The agency activities services is provided by The Elks Lodge for facility use. Fair value is estimated on the basis of vendor provided pricing.

The contracted services are provided by KH Consulting and include grant writing as well as The Foraker group for HR consulting. Fair value is estimated on the basis of vendor provided pricing.

Many individuals volunteer their time and perform a variety of tasks that assist BBBSAK with specific assistance programs, campaign solicitations, and various committee assignments. The majority of BBBSAK's volunteers serve as mentors, and in fiscal years 2023 and 2022, mentors donated approximately 18,528 and 20,280 hours of their time, respectively. These donated services are not recognized as contributions in the financial statements because the recognition criteria under FASB ASC 958-605-25-16 have not been met.

NOTE 8 – RELATED PARTY TRANSACTIONS

In 1998, individuals involved with Big Brothers Big Sisters of Anchorage, Inc. (BBBSA) created For

BIG BROTHERS BIG SISTERS OF ALASKA

NOTES TO FINANCIAL STATEMENTS

the Kids Foundation, Inc. (the Foundation) to serve as a fundraising support organization to BBBSA. On August 1, 2007 the Alaskan Big Brothers Big Sisters entities merged and BBBSA is now part of BBBSAK. The Foundation's enabling documents provide that it shall contribute its operating cash flow, net of expenses, capital and debt service outlays and a reasonable provision of reserves to BBBSA prior to the merger and to BBBSAK subsequent to the merger. The CEO of BBBSAK is the CEO of the Foundation, and the Foundation is governed by a board of directors independent of BBBSAK. The Foundation's board of directors monitors contributions to BBBSAK.

For the years ended December 31, 2023 and 2022, BBBSAK received \$270,000 and \$200,000 from the Foundation, respectively. BBBSAK provides administrative support to the Foundation for a fee equal to BBBSAK's cost. The amounts received from the Foundation consisted of \$235,135 and \$180,870 in contributions, and \$34,865 and \$19,130 in administrative expenses, for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 – LEASES

Operating Leases

For the years ended December 31, 2023, and 2022, BBBSAK leased a facility, accounted for under ASU 842, as a right-of-use asset on the statements of financial position. The components of lease expense and their classification in the statement of functional expense for the year ended December 31, 2023, and 2022, was as follows:

<u>Component of Lease Expenses</u>	<u>Classification in Statement of Functional Expenses</u>	<u>2023</u>	<u>2022</u>
Operating lease expense	Facilities	\$ 25,016	\$ 8,256
Short-term lease expense	Facilities	13,173	55,042
Sublease	Facilities	(7,965)	-
Total lease expense		<u>\$ 30,224</u>	<u>\$ 63,298</u>

The weighted average remaining lease term for operating leases is 3.67 and 4.67 years as of December 31, 2023 and 2022, respectively. The weighted average discount is 3% and 3% as of December 31, 2023 and 2022, respectively.

Supplemental cash flow information related to leases for the year ended December 31 was as follows:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities –		
Operating cash outflows from operating leases	<u>\$ 25,016</u>	<u>\$ 8,256</u>
Right-of-use assets obtained in exchange for lease obligations –		
Operating leases	<u>\$ -</u>	<u>\$ 122,057</u>

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NOTES TO FINANCIAL STATEMENTS

Future maturities of lease liabilities as of December 31, 2023 are presented in the following table:

	Operating Leases
2024	\$ 25,766
2025	26,539
2026	27,335
2027	18,585
2028	-
Thereafter	-
Total lease payments	<u>98,225</u>
Less: Imputed interest	<u>(5,177)</u>
Total lease obligations	<u>93,048</u>
Less: Current obligations	<u>(23,356)</u>
Long-term lease obligations	<u>\$ 69,692</u>

Lessor Leases - Sublease

BBBSAK subleases office space in one of its leased Anchorage facilities. Total sublease income in fiscal year 2023 was \$7,965. Future minimum lease payments to be received from subleases consist of \$-0- in the year ended December 31, 2024.

NOTE 10 – CONCENTRATIONS

Government Grant Revenue

BBBSAK receives a substantial amount of its support from federal and state grants. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

For the Kids Foundation

In 2023 and 2022, BBBSAK received 22.63% and 14.01%, respectively, of its revenues and public support, excluding in-kind, from the Foundation. The Foundation's income is derived primarily from its pickup service in which it collects donated items and re-sells them to a retail thrift store operator. Under the terms of the Foundation's annual contract for resale of donated goods, the Foundation is precluded from selling to other buyers. If a significant reduction in the level of this support were to occur, it may have an adverse effect on BBBSAK's programs and activities.

Cash in Excess of FDIC Coverage

BBBSAK maintains its cash in bank deposit accounts, which at times may exceed the FDIC insured limited of \$250,000 per financial institution. At December 31, 2023, BBBSAK had cash balances in excess of federally insured limits of approximately \$132,078. BBBSAK has not experienced any losses in such accounts.

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NOTES TO FINANCIAL STATEMENTS

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Grant Revenue and Receivables

Amounts received or receivable under grant programs from the federal government or State of Alaska are subject to audit and adjustment. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although BBBSAK expects such amounts, if any, to be immaterial.

Gaming Revenue

BBBSAK receives gaming revenue that must be used for specific purposes to not be considered taxable income. BBBSAK has used all its gaming revenue for an allowable purpose and the amount, if any, considered to be taxable, is expected to be immaterial.