

**Big Brothers Big Sisters
Mountain Region**

FINANCIAL STATEMENTS

December 31, 2019 and 2018



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INGRAM

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**Big Brothers Big Sisters
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December 31, 2019 and 2018**

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**Big Brothers Big Sisters
Board of Directors
December 31, 2019 and 2018**

Geno Zamora
Kelley Avery
Tom Madigan
Heather Miles
Elizabeth Cavasos
Carlos Gonzales
Carolyn Ives
Monica Leyba
Alan Overton
Linda Siegle
Rick Vaughan
Lucas Peerman
Chee Montano
Debby Cox
Leo Marquez

President
Co-Vice President
Co-Vice President
Member
Member

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters Mountain Region

Report on the Financial Statements

We have audited the accompanying financial statements of the Big Brothers Big Sisters Mountain Region ("Big Brothers Big Sisters") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Big Brothers Big Sisters Mountain Region as of and for the year ended December 31, 2018, were audited by another auditor whose report dated August 28, 2019, expressed an unmodified opinion on those statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020 on our consideration of Big Brothers Big Sisters' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Brothers Big Sisters' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters' internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs, & Ingram, LLC
Santa Fe, New Mexico
October 20, 2020

**Big Brothers Big Sisters Mountain Region
Statements of Financial Position**

<i>December 31,</i>	2019	2018
Assets		
Current assets		
Cash and cash equivalents	\$ 229,388	\$ 45,027
Promises to give, net	39,845	44,266
Grants and contracts receivable	77,523	159,072
Prepaid expenses and other assets	7,546	9,126
Due from related parties	342	-
Total current assets	354,644	257,491
Non-current assets		
Promises to give, net	-	1,373
Beneficial interest in agency endowment funds	15,893	13,211
Investments	718,544	746,608
Property and equipment, net	226,703	242,128
Total non-current assets	961,140	1,003,320
Total assets	\$ 1,315,784	\$ 1,260,811
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 45,446	\$ 57,383
Accrued expenses	57,856	56,890
Line of credit	60,000	-
Total current liabilities	163,302	114,273
Net assets		
Without donor restrictions	620,047	610,073
With donor restrictions	532,435	536,465
Total net assets	1,152,482	1,146,538
Total liabilities and net assets	\$ 1,315,784	\$ 1,260,811

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

**Big Brothers Big Sisters Mountain Region
Statements of Activities**

<i>For the years ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Summarized Total
Revenue and Other Support				
Grants	\$ 930,663	\$ -	\$ 930,663	\$ 1,059,508
Contributions	217,235	-	217,235	312,432
Special events	419,130	-	419,130	504,632
Investment (loss) income, net	78,807	-	78,807	(32,682)
In-kind contributions	76,797	-	76,797	75,868
Interest income	23,781	-	23,781	-
Other income	19,361	2,682	22,043	-
Sale of assets	-	-	-	49,289
Net assets released from restrictions	6,712	(6,712)	-	-
Total revenue and other support	1,772,486	(4,030)	1,768,456	1,969,047
Expenses				
<i>Program services</i>				
Member services	1,213,574	-	1,213,574	1,470,923
Total program services	1,213,574	-	1,213,574	1,470,923
<i>Management and general</i>				
General and administrative	154,860	-	154,860	177,651
Fundraising	394,078	-	394,078	363,530
Total supporting services	548,938	-	548,938	541,181
Total expenses	1,762,512	-	1,762,512	2,012,104
Change in Net Assets	9,974	(4,030)	5,944	(43,057)
Net assets at beginning of year	610,073	536,465	1,146,538	1,189,595
Net assets at end of year	\$ 620,047	\$ 532,435	\$ 1,152,482	\$ 1,146,538

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

**Big Brothers Big Sisters Mountain Region
Statements of Functional Expenses**

<i>For the years ended December 31,</i>	<u>Programs</u>	<u>Supporting Services</u>			2019 Total	2018
	Member services	General and administrative	Fundraising	2019 Total		Summarized Total
Salaries and wages	\$ 639,701	\$ 88,847	\$ 159,925	\$ 888,473	\$ 988,142	
Payroll taxes and benefits	161,087	22,373	40,272	223,732	249,544	
Event and auction costs	44,756	-	40,366	85,122	121,558	
Accounting fees	56,995	7,916	14,249	79,160	81,653	
In-kind expenses	-	-	76,797	76,797	75,868	
Information technology	32,042	4,450	8,011	44,503	44,614	
Telephone and internet	25,269	3,510	6,317	35,096	37,692	
Rent	24,390	3,387	6,098	33,875	31,185	
Contract services	32,427	-	-	32,427	16,965	
Insurance	21,678	3,011	5,420	30,109	30,046	
Affiliation fees	16,628	2,309	4,157	23,094	13,642	
Travel and entertainment	17,960	2,495	4,490	24,945	44,600	
Supplies	17,626	2,448	4,407	24,481	14,997	
Computer and software	14,099	1,958	3,525	19,582	19,042	
Occupancy fees	13,244	1,839	3,311	18,394	19,250	
Depreciation expense	11,106	1,542	2,777	15,425	15,426	
Credit card fees	7,574	-	7,573	15,147	12,804	
Background checks	13,501	-	-	13,501	16,793	
Staff development and training	11,674	-	-	11,674	44,157	
Recruitment	11,285	-	-	11,285	11,715	
Program activities	10,122	-	-	10,122	6,548	
Capital costs	6,383	886	1,596	8,865	6,399	
Utilities	4,856	674	1,214	6,744	7,417	
Legal and professional fees	4,728	657	1,182	6,567	64,708	
Board development	2,012	4,372	-	6,384	5,656	
Dues and subscriptions	4,028	559	1,007	5,594	4,968	
Miscellaneous	2,879	400	720	3,999	9,570	
Advertising	2,867	-	-	2,867	9,539	
Posting and shipping	1,628	226	407	2,261	4,629	
Printing	1,029	143	257	1,429	919	
Interest	-	858	-	858	2,058	
Total	\$ 1,213,574	\$ 154,860	\$ 394,078	\$ 1,762,512	\$ 2,012,104	

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

**Big Brothers Big Sisters Mountain Region
Statements of Cash Flows**

<i>For the years ended December 31,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 5,944	\$ (43,057)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,425	15,426
Unrealized and realized loss on investments	28,064	53,497
Realized gain on limited partnership interest	-	(49,289)
Changes in operating assets and liabilities		
Grants and contracts receivable	81,549	(99,969)
Promises to give	5,794	41,942
Prepaid expenses and other assets	1,580	(2,844)
Due from related parties	(342)	-
Accounts payable	(11,937)	36,742
Accrued expenses	966	(8,264)
Net cash provided by (used in) operating activities	127,043	(55,816)
Investing Activities		
Proceeds from Santa Fe Community Foundation	-	241
Sale of partnership interest	-	67,200
Beneficial interest in agency endowment funds	(2,682)	749
Purchase of investments	-	(21,789)
Net cash (used in) provided by investing activities	(2,682)	46,401
Financing Activities		
Proceeds from line of credit	60,000	-
Net cash provided by financing activities	60,000	-
Net change in cash and cash equivalents	184,361	(9,415)
Cash and cash equivalents at beginning of year	45,027	54,442
Cash and cash equivalents at end of year	\$ 229,388	\$ 45,027
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 858	\$ 2,058

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

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

On January 1, 2015, Big Brothers Big Sisters of Southwestern New Mexico, a New Mexico nonprofit corporation, merged with and into Big Brothers Big Sisters of Northern New Mexico, Incorporated, a New Mexico nonprofit corporation, under the name Big Brothers Big Sisters Mountain Region (the "Organization")("Big Brothers Big Sisters"). These two corporations merged to better facilitate the accomplishment of a number of objectives that would further their purposes under one corporation.

Big Brothers Big Sisters is a not-for-profit organization whose mission is to help children reach their potential through professionally supported one-to-one relationships. Their vision is successful mentoring relationships for all children who need them, contributing to brighter futures, better schools and stronger communities for all. Big Brothers Big Sisters promises to foster a culture of commitment to diversity and inclusion, partnership and collaboration, continuous learning, people development and high performance. A significant portion of Big Brothers Big Sisters revenue is derived from grants, contracts and contributions.

Note 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 (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to depreciation of assets over their estimated useful lives, allocation of expenses by function, and the fair value of investments.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Grants and Contracts Receivable

The Organization is funded by grants and contracts received from the State of New Mexico, City of Santa Fe, and other sources. Grant and contract revenue is earned and recognized when expenses have been incurred, except as otherwise provided in the terms and conditions of the grant and contract. Unreimbursed costs under these grants are recorded as grants and contracts receivable. Grants and contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization's management has not provided for an allowance for uncollectible amounts as they feel the grants and contracts receivable are fully collectible at December 31, 2019.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Promises to give are recorded at their discounted net present value using a discount rate of 3.25%.

Investments

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends, or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Prepaid Expenses

Prepaid expenses consist of service contract expenses paid in advance for operation in the subsequent year for insurance and rent deposits.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Estimated useful lives used in computing depreciation are as follows:

Building and improvements	15-30 Years
Furniture and equipment	5 Years

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and capital assets reserve.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation. In 2009, Big Brothers Big Sisters Mountain Region made an agreement with Big Brothers Big Sisters of Central New Mexico Donation Center to share revenue from the collection and sale of donated clothing and other household items. Big Brothers Big Sisters of Central New Mexico is responsible for picking up all donated items and sharing the revenue with Big Brothers Big Sisters Mountain Region at the agreed upon amount.

Gifts In-Kind and Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided fund-raising services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Gifts in-kind are recorded at market value on the date of donation with a corresponding increase in either operation expenses or other non-current assets in the accompanying statement of activities and financial position. The contributions are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. In-kind contributions consist of donated items for fundraising events and are recorded at fair value. The Organization recorded approximately \$20,350 for contributed accounting services, included in in-kind contributions in the Statements of Activities, for the both the years ended December 31, 2019 and 2018.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and management and general services. Expenses related to payroll, payroll taxes, and employee benefits are allocated based on actual percentages of time spent in each functional area. Expenses related to maintenance and upkeep of the entire facility are allocated across functional areas based on a fixed percentage.

Compensated Absences

The Organization's employees can accrue from 7.33 to 9 hours per pay period for paid time off for full time employees and part-time employees who work at least 8 hours in a pay period are able to accrue paid time off on a prorated basis as well. Employees are allowed to carry over up to 80 hours of paid time off to the next calendar year. The Organization has recorded \$38,776 and \$33,605 for compensated vacation absences at December 2019 and 2018, respectively. Compensated absences are included in the Statements of Financial Position as accrued expenses.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. However, taxes on unrelated business income, if any, are reported when paid.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely- than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2019 and 2018, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements. The Organization believes it is no longer subject to income tax examinations for years prior to 2016.

Reclassifications

Certain reclassifications were made to prior year balances to conform to current year presentation.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 20, 2020. See Note 15 for relevant disclosures.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. The effective date will be for fiscal years beginning after December 15, 2019. The Organization is currently assessing the impact the new revenue recognition guidance will have on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient. Effective January 1, 2019, the Organization adopted the contributions standard,

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

using the modified retrospective method. This method allows the standard to be adopted retrospectively through a cumulative adjustment recognized upon adoption and there was no impact to the financial statements. Therefore, the 2018 financial statements have not been restated and continue to be reported under the accounting standards in effect for that year.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is now effective for fiscal years beginning after December 15, 2021, as a delay in adoption was recently approved. Early adoption is permitted. The Organization is currently evaluating the impact of the guidance on its financial statements.

Note 3: FINANCIAL ASSET AVAILABILITY

The Organization maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as the Organization's expenditures come due. The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	2019	2018
Financial assets, at year-end	\$ 1,081,535	\$ 1,009,557
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(532,435)	(536,465)
Financial assets available to meet cash needs for general expenditures within one year	\$ 549,100	\$ 473,092

Financial assets at year-end as noted in the above schedule exclude property and equipment and prepaid expenses.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 4: GRANTS AND CONTRACTS AND PROMISES TO GIVE

Big Brothers Big Sisters received the following grants and contracts for the years ended December 31, 2019 and 2018:

<i>December 31,</i>	2019	2018
NM CYFD	\$ 72,987	\$ 150,476
Navajo United Way	2,500	1,250
City of Las Cruces Grant	2,036	-
Other	-	1,096
City of Santa Fe	-	2,250
Los Alamos Public School Grant	-	4,000
Total grants receivable	\$ 77,523	\$ 159,072

Promises to give consist of the following:

<i>December 31,</i>	2019	2018
One Give Campaign	\$ 16,641	\$ 23,393
Discounted	(99)	(139)
	16,542	23,254
Unconditional promises to give	23,303	22,385
Promises to give, net	\$ 39,845	\$ 45,639

Note 5: BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND

In 1999, a donor gave \$5,250 to the Santa Fe Community Foundation (Foundation) under a designated endowment fund on behalf of Big Brothers Big Sisters. In 2010, the Foundation split the endowment fund into separate agency and designated endowment funds to properly record whether contributions came from Big Brothers Big Sisters or from other individuals on behalf of Big Brothers Big Sisters. Big Brothers Big Sisters retains a beneficial interest in the endowment fund held by the Foundation.

The Foundation has the sole and final authority and discretion as to the sale, resale, investment and reinvestment of the endowment fund. The Foundation "can modify any restriction on the distribution of funds, if, in their sole judgment, any restriction becomes obsolete, incapable of fulfillment, or inconsistent with the charitable intent expressed by Big Brothers Big Sisters, or with the exempt purposes of the Foundation." Big Brothers Big Sisters has the ability to seek court review if they believe that the Foundation has improperly exercised this power.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 5: BENEFICIAL INTEREST IN AGENCY ENDOWMENT FUND (Continued)

Because of the merger, Big Brothers Big Sisters increased its holdings under a designated endowment fund by incorporating funds held at the Community Foundation of Southern New Mexico. The earnings, when distributed, can be used to further develop program services.

FASB ASC 605-45, Revenue Recognition - Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others, establishes standards for transactions in which a donor transfers assets to a not-for-profit organization or charitable trust that accepts the contribution with the stipulation that the recipient organization use those assets on behalf of, the return on investment of those assets, or both, to the beneficiary that is specified by the donor.

Big Brothers Big Sisters records its interest in the fund at fair market value, which is a Level 3 measurement. FASB ASC 605-45 specifically requires a not-for-profit organization that establishes a fund at a community foundation with its own funds, that specifies itself as the beneficiary of that fund, and grants the community foundation unilateral variance power, must account for the transfer of such assets as an asset on its financial statements. Accordingly, Big Brothers Big Sisters has recognized the transfer to the Foundation as an asset. The Foundation's financial statements are audited on an annual basis. Big Brothers Big Sisters receives distributions at 5% of the market value based on a rolling average. The fair value of the endowment was \$15,893 and \$13,211 for the years ended December 31, 2019 and 2018, respectively.

Note 6: INVESTMENTS

Endowment Funds

Big Brothers Big Sisters' endowment consists of one individual fund. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Big Brothers Big Sisters classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instruments at the time the accumulation is added to the fund.

Endowment Investments and Spending Policies

Big Brothers Big Sisters has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds based on their interpretation of the Uniform Prudent Management of Institution Funds Act (UPMIFA).

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

**Big Brothers Big Sisters Mountain Region
Notes to Financial Statements**

Note 6: INVESTMENTS (Continued)

Big Brothers Big Sisters spending policy is that it will not expend any amounts until the endowment fund reaches a certain threshold amount as determined by the Board, or receive an 80% vote from the Board to withdraw amounts prior to reaching the threshold.

Endowment net asset reconciliation as of December 31, 2019 and 2018 is as follows:

<i>December 31, 2019</i>	2019	2018
Beginning balance	\$ 746,608	\$ 778,306
Change in value	(28,064)	(31,698)
Ending balance	\$ 718,544	\$ 746,608

Investments in the endowment consist of the following:

<i>December 31, 2019</i>	Cost	Market Value
Mutual funds	\$ 363,524	\$ 381,321
Exchange-Traded & Closed-End Funds	205,634	337,223
Total investments in marketable securities	\$ 569,158	\$ 718,544

<i>December 31, 2018</i>	Cost	Market Value
Mutual funds	\$ 458,670	\$ 450,174
Exchange-Traded & Closed-End Funds	235,961	296,434
Total investments in marketable securities	\$ 694,631	\$ 746,608

Note 7: PROPERTY AND EQUIPMENT

Property and equipment - net consist of the following:

<i>December 31</i>	2019	2018
Building and related improvements	\$ 404,375	\$ 404,375
Furniture, fixtures and equipment	66,331	66,331
Total property and equipment	470,706	470,706
Less accumulated depreciation	(244,003)	(228,578)
Property and equipment, net	\$ 226,703	\$ 242,128

Depreciation expense for the years ended December 31, 2019 and 2018 was \$15,425 and \$15,426, respectively.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 8: LINE OF CREDIT

The Organization maintains a line of credit agreement with a financial institution. Available borrowings related to the agreement are \$150,000, with a variable interest rate of 1.5 percentage points above the U.S. Prime Rate, 4.75% and 5.50% at December 31, 2019 and 2018, respectively, secured by real property with a net book value of \$220,535 at December 31, 2019. The credit line expires in 2019 and renews annually. The outstanding balance as of December 31, 2019 and 2018, were \$60,000 and \$0, respectively. At issuance of these financial statements, the \$60,000 draw had been repaid.

Note 9: NET ASSETS

A summary of net assets without donor restrictions follows:

<i>December 31</i>	2019	2018
Undesignated	\$ 620,047	\$ 610,073
Total net assets without donor restrictions	\$ 620,047	\$ 610,073

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2019	2018
Time restricted		
One give campaign	\$ 16,542	\$ 23,254
Purpose restricted		
Endowment	500,000	500,000
Beneficial interest in agency endowment funds	15,893	13,211
Total net assets with donor restrictions	\$ 532,435	\$ 536,465

There were no board designated restricted funds at December 31, 2019 or 2018.

Note 10: AFFILIATION FEES

Big Brothers Big Sisters Mountain Region has affiliation agreements with Big Brothers Big Sisters of America. These agreements require Big Brothers Big Sisters Mountain Region to make quarterly and monthly payments to Big Brothers Big Sisters of America. Affiliation fees to Big Brothers Big Sisters of America were \$23,094 and \$13,642 for the years ended December 31, 2019 and 2018, respectively.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 11: FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- 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; or
 - can be corroborated by observable market data.

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

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

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Exchange-Traded and Closed-End Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

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

**Big Brothers Big Sisters Mountain Region
Notes to Financial Statements**

Note 11: FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities measured at fair value on a recurring basis are summarized for the years ended December 31, 2019 and 2018:

<i>December 31, 2019</i>	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 381,321	\$ -	\$ -	\$ 381,321
Exchange-Traded and Closed-End Funds	337,223	-	-	337,223
Total investments at fair value	\$ 718,544	\$ -	\$ -	\$ 718,544

<i>December 31, 2018</i>	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 450,174	\$ -	\$ -	\$ 450,174
Exchange-Traded and Closed-End Funds	296,434	-	-	296,434
Total investments at fair value	\$ 746,608	\$ -	\$ -	\$ 746,608

Changes in Fair Value Levels

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2019, there were no significant transfers in or out of Levels 1, 2 or 3.

Note 12: CONCENTRATIONS

The Organization maintains cash with two financial institutions and none of the balances were in excess of the FDIC limit of \$250,000 at either December 31, 2019 and 2018.

Big Brothers Big Sisters entered into a contract with the New Mexico Children, Youth and Families Department (CYFD) from July 1, 2019 to June 30, 2020 for \$675,000. During the year ended December 31, 2019, \$589,118 was expensed on the contract and recorded as revenue. CYFD made up 35% and 37% of the Organization's total grant revenue for the years ended December 31, 2019 and 2018, respectively. CYFD made up 94% and 95% of the Organization's total grant receivables for the years ended December 31, 2019 and 2018, respectively.

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

Note 13: COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Organization leases certain office space and office equipment accounted for as operating leases.

Office Leases	Lease Term	Lease Amounts
Gallup, NM	Month to Month	\$1,000 per month
Las Cruces, NM	1/1/18 - 12/31/19. Change to month to month lease in 2020	Year 1: \$1,050 per month Year 2: \$1,100 per month
Taos, NM	Month to Month	\$125 per month
Silver City, NM	Month to Month	\$550 per month
Equipment Leases	Lease Term	Lease Amounts
Copier in Santa Fe	Month to Month	Various charges for number of images done
Copier in Las Cruces	Agreement through 1/11/2020 and not renewed	\$165 per month

There is no future minimum lease payments for these leases as most have expired and continue on a month-to-month basis. Rent expense for the years ended December 31, 2019 and 2018 was \$33,875 and \$31,185, respectively.

Contingencies

From time to time, the Organization may have asserted and unasserted claims arising in the normal course of business. The Organization does not expect losses, if any, arising from these asserted and unasserted claims to have a material effect on the consolidated financial statements.

Big Brothers Big Sisters depends heavily on contributions and grant revenue. The ability of certain Big Brothers Big Sisters contributors and grantors to continue giving amounts consistent with previous years may be dependent on overall economic conditions. Big Brothers Big Sisters' board of directors believes Big Brothers Big Sisters has the resources to continue its programs, however, its ability to do so and the extent to which it continues to do so may be dependent on economic factors. Amounts received from state contracts are subject to review or audit by the appropriate state agencies. There is the possibility of disallowed state contract billings. Management believes there are no material disallowed billings that would be required to be refunded.

Note 14: DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan (the Plan) covering all eligible employees who qualify under applicable participation requirements and agree to make contributions to the Plan. The Organization matches participants' contributions to the Plan up to 5% of the individual participant's

Big Brothers Big Sisters Mountain Region Notes to Financial Statements

compensation. Total expense for the years ended December 31, 2019 and 2018 was \$14,406 and \$23,666, respectively.

Note 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2020 to determine whether such events should be recorded or disclosed in the financial statements or notes for the year ended December 31, 2019.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effect on the financial markets, and (v) the effects on the economy overall, all of which are uncertain. While we expect this matter to possibly have a negative impact on the business and its operations, the related financial impacts cannot be reasonably estimated at this time.

The federal relief package known as the CARES Act (Coronavirus Aid, Relief, and Economic Security Act) was signed into law on March 27, 2020. One of the specific offerings in the stimulus package is the Paycheck Protection Program (PPP) which was designed to protect payroll. Under this provision, the SBA is backing loans through local lenders to help provide immediate assistance for small businesses hurt by the Coronavirus. In May 2020, the Organization applied for and received a Paycheck Protection Program loan from its bank in the amount of \$220,852 with an interest rate of 1%. One principal payment plus interest will be due on April 1, 2022. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities (due to likely high subscription, at least 60% of the forgiven amount must have been used for payroll). No collateral or personal guarantees are required. Forgiveness is based on the employer maintaining or quickly rehiring employees and maintaining salary levels and will be reduced if full-time headcount declines, or if salaries and wages decrease.

COMPLIANCE



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board and Management of
Big Brothers Big Sisters Mountain Region

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Brothers Big Sisters Mountain Region (a nonprofit Organization) (Big Brothers Big Sisters), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenditures, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered BBBS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BBBS's internal control. Accordingly, we do not express an opinion on the effectiveness of BBBS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items FS 2019-001, FS 2019-002, and FS 2019-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BBBS's financial statements are free from material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BBBS's Responses to Findings

BBBS's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. BBBS's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, New Mexico
October 20, 2020

**Big Brothers Big Sisters Mountain Region
Schedule of Findings and Responses
December 31, 2019**

A. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1. Type of auditors' report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	None Noted
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to the financial statements?	None Noted

**Big Brothers Big Sisters Mountain Region
Schedule of Findings and Responses
December 31, 2019**

B. FINDINGS—FINANCIAL STATEMENT AUDIT

FS 2019-001 - Policies and Procedures – Significant Deficiency

Condition: During our audit procedures, we noted the Financial Policies and Procedures and the Endowment Policies, including the Investment Policy, have not been updated since December 2018.

Effect: There is an increased risk of policies and procedures surrounding material accounts not being appropriately applied.

Cause: Due to the small size of the Organization, procedures are changed via word of mouth rather than going through the process of updating the policies and having those updates receive approval from the Board of Directors.

Auditor's Recommendations: We recommend the Organization implement a policy where each significant policy is reviewed annually, updated and then approved by the Board of Directors.

Management's View: We respectfully request a reconsideration of this finding. Financial Policies and Procedures and the Endowment and Investment Policies are reviewed and updated frequently. They were all most recently updated and approved in December of 2018 (the Investment Policy is included as an Appendix to the Endowment Policy). The Finance Committee did review the Endowment and Financial Policies in 2019 as part of our discussions regarding a potential drawdown from the endowment. No changes were recommended or made to the policies. The Financial Policies and Procedures and Endowment Policies are on the agenda for review at our November Finance Committee meeting.

Planned Corrective Actions: Starting with the December 7, 2020, Executive Board meeting, the Executive Board will review and approve the Financial Policies and Procedures, Endowment Policy, and Investment Policy annually, even if no changes are made to the documents. We will also clearly mark all significant policies with the most recent board approval date on the title page and in the footnotes.

FS 2019-002 - Fixed Assets – Significant Deficiency

Condition: During our audit procedures surrounding fixed assets we noted five assets without an accurate description. No one is reviewing the fixed assets for impairment or to ensure the useful lives are still accurate.

Effect: There is an increased risk of over stating fixed assets as possible impairment and useful lives have not been considered as of December 31, 2019.

Cause: Due to the small size of the Organization, procedures have not been put into place to oversee fixed assets and all of the procedures surrounding their correct statement.

**Big Brothers Big Sisters Mountain Region
Schedule of Findings and Responses
December 31, 2019**

B. FINDINGS—FINANCIAL STATEMENT AUDIT (continued)

Auditor's Recommendations: We recommend the Organization designate an appropriate employee to be in charge of researching the descriptions of the fixed assets. In addition, this employee could be in charge of reviewing the fixed assets for appropriate useful lives and impairment annually.

Management's Views: Agree with the recommendations. The Fixed Assets Schedule has been updated. Nine (9) of the 11 non-building items were well past their useful life and are no longer in service. The fixed assets schedule listed were fully depreciated and no longer in service. A 10th item (computer) was removed from the list because it included multiple computers each with an individual value under our \$1,000. The item should not have been included on the list. We have not purchased new fixed assets since 2016.

Planned Corrective Actions: We have researched and reviewed the description of fixed assets and will charge our accounting team with reviewing the fixed assets for appropriate depreciation, useful life, and impairment annually.

C. FINDINGS – CYFD COMPLIANCE

FS 2019-003 - The Contractor's fiscal policy and procedures must include certain items. – Significant Deficiency

Condition: The Organization's fiscal policy and procedures did not include their guidelines for the handling of voided checks.

Criteria: The CYFD contract requires the Contractor to maintain current fiscal policies and procedures that must include the handling of cash, the handling of voided checks, authorized check signatures, separation of duties, accounting system, travel regulations, bank reconciliations, cost allocation methods, accounting policies for donations and a conflict of interest policy.

Effect: The Organization was out of compliance with CYFD contract terms.

Cause: The Organization was not aware of this requirement.

Auditor's Recommendations: The Organization should update the fiscal policies and procedures to include all required items.

Management Views: Agree. While we do have procedures in place for handling voided checks, they are not explicitly laid out in our Financial Policies.

**Big Brothers Big Sisters Mountain Region
Schedule of Findings and Responses
December 31, 2019**

C. FINDINGS – CYFD COMPLIANCE (continued)

Planned Corrective Action: We have added the process for handling voided checks to our Financial Policies and Procedures for review and approval by the Finance Committee and Executive Board at their next scheduled meetings.