



Big Brothers Big Sisters of the Bay Area

SUMMARY OF FINANCIAL RESULTS FISCAL YEAR 2017

Organization: Big Brothers Big Sisters of the Bay Area

Date: November 15, 2017

Our organization received a “clean” or “unqualified” audit opinion for fiscal year July 1, 2016 through June 30, 2017; this is the highest level of assurance an audit firm can issue. While a clean opinion is something for which we strive, the opinion alone does not tell stakeholders much about “how” Big Brothers Big Sisters of the Bay Area (“BBBSBA”) is doing financially. Therefore, we would like to call attention to a few key financial indicators that give a more complete picture of the organization’s financial health.

Operating Results

One of the most important indicators of financial health is the organization’s ability to break-even or generate an operating surplus each year. Our total unrestricted revenues exceeded our total expenses this past year. The organization had a surplus of \$284,246 in fiscal year 2017 and a deficit of -\$264,415 in fiscal year 2016. This trend indicates BBBSBA’s efforts towards building a sustainable future.

The operating deficit in fiscal year 2016 was funded by operating reserves, and through a line of credit. In fiscal year 2017, we were able to reverse this trend, replenishing our operating reserves and decreasing our dependency on a line of credit. This has been due in part to new fund development strategies, and diligent fiscal oversight of expenditures.

Investment of Resources

We have an allocation plan that we use to distribute expenses across the three functional categories: program, management and general (M&G), and fundraising. Our allocation methodology is driven by staff level of effort. Direct expenses are charged to the appropriate program or function. Shared costs – such as rent, utilities, and insurance – are then allocated to each of the functions based on the staff level of effort percentages. As a result of this process, our Statement of Functional Expenses shows that program expense makes up 67.6% of our total expenses. M&G expense makes up 13.5% of our total expenses and fundraising expense making up the remaining 18.8% of the total. This approach to calculating and presenting expenses on a functional basis is consistent with the presentation in prior years.

Availability of Liquid Reserves

An organization’s Liquid Unrestricted Net Assets (LUNA) – also referred to as “operating reserves” – is the portion of unrestricted net assets that can be converted to cash relatively easily. It is a measure of funds available to an organization for guarding against downturns, pursuing new opportunities, and providing working capital in times of low cash flow. LUNA is the portion of Unrestricted Net Assets not designated by the Board of Directors for a particular purpose, or otherwise invested in fixed assets.



Big Brothers Big Sisters of the Bay Area

As of our most recent financial statements, Big Brothers Big Sisters of the Bay Area had \$166,501 of LUNA, enough to cover approximately one month of operating expenses. This amount is below the 3-6 month recommended benchmark; however, our LUNA has increased over the past year due to the accumulation of this year's operating surpluses and efforts to increase unrestricted funding.

Plans for the Future

After the close of fiscal year 2017, on October 6, 2017, Big Brothers Big Sisters of the Bay Area merged with Big Brothers Big Sisters of the North Bay ("North Bay"), adding Solano, Sonoma, Napa and Marin counties to our service area of San Francisco, San Mateo, Santa Clara, Alameda and Contra Costa counties. North Bay was merged into BBBSBA, and the separate corporate existence of the North Bay ceased. BBBSBA assumed all assets and liabilities of the North Bay, including offices, staff, and matches served by their program. All nine counties will continue to be served by our programs.

Based on the financial metrics described above, Big Brothers Big Sisters of the Bay Area is currently in a stable financial position and will focus on the following areas to build our organizational sustainability for the future:

- For the current fiscal year, we plan to generate an operating surplus in order to continue to stabilize our cashflow and increase our reserves to provide a sustainable future for our newly expanded service area.
- For the upcoming fiscal year, we will be establishing a multi-year strategic plan to determine the financial, programmatic and fundraising goals and strategies for the newly expanded BBBSBA to ensure we are well-positioned to continue to serve the Bay Area now and into the future.

**BIG BROTHERS BIG SISTERS
OF THE BAY AREA, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017**

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.

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June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors and Management
Big Brothers Big Sisters of the Bay Area, Inc.

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Bay Area, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2017, the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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. 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 the Organization as of June 30, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2016 financial statements, and we have expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Singer Lewak LLP

November 15, 2017

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017
(Comparative Information at June 30, 2016)

	2017	2016
ASSETS		
Current assets		
Cash and cash equivalents	240,392	\$ 158,806
Grants and pledges receivable	277,455	192,674
Prepaid expenses	56,800	31,814
Total current assets	574,647	383,294
Noncurrent assets		
Pledges receivable, noncurrent	56,922	39,328
Property held for investment	2,000	2,000
Deposits	34,153	22,103
Furniture and equipment, net	3,920	6,713
Total noncurrent assets	96,995	70,144
Total assets	671,642	\$ 453,438
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	54,638	\$ 109,908
Employment liabilities	126,053	136,824
Total current liabilities	180,691	246,732
Net assets		
Unrestricted	172,421	146
Temporarily restricted	318,530	206,560
Total net assets	490,951	206,706
Total liabilities and net assets	671,642	\$ 453,438

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017
(Summarized Comparative Information for the Year Ended June 30, 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenue				
Contributions	\$ 916,349	\$ -	\$ 916,349	\$ 908,770
Special events, net	509,212	-	509,212	364,930
Grants and awards	287,809	354,594	642,403	256,912
Contributions, in-kind	162,209	-	162,209	133,737
Program fees	8,155	-	8,155	10,465
Gain (loss) on donated stocks sold	550	-	550	(795)
Interest income	-	-	-	82
Other income	2,077	-	2,077	9,178
(Loss) on asset disposal	-	-	-	(1,030)
	<u>1,886,361</u>	<u>354,594</u>	<u>2,240,955</u>	<u>1,682,249</u>
Net assets released from restrictions				
Satisfaction of program restrictions	221,624	(221,624)	-	-
Satisfaction of time restrictions	<u>21,000</u>	<u>(21,000)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,128,985</u>	<u>111,970</u>	<u>2,240,955</u>	<u>1,682,249</u>
Expenses				
Program services	1,323,811	-	1,323,811	1,287,275
Supporting services	<u>632,899</u>	<u>-</u>	<u>632,899</u>	<u>659,389</u>
Total expenses	<u>1,956,710</u>	<u>-</u>	<u>1,956,710</u>	<u>1,946,664</u>
Change in net assets	172,275	111,970	284,245	(264,415)
Net assets, beginning of year	<u>146</u>	<u>206,560</u>	<u>206,706</u>	<u>471,121</u>
Net assets, end of year	<u>\$ 172,421</u>	<u>\$ 318,530</u>	<u>\$ 490,951</u>	<u>\$ 206,706</u>

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2017
(Summarized Comparative Information for the Year Ended June 30, 2016)

	Program Services	Supporting Services			Total 2017	Total 2016
	Mentoring	Management and General	Fund			
			Raising	Total		
Salaries & wages	\$ 834,588	\$ 87,182	\$ 187,924	\$ 275,106	\$ 1,109,694	\$ 1,116,253
Payroll taxes	58,304	7,007	15,225	22,232	80,536	80,797
Employee benefits	84,353	8,541	18,179	26,720	111,073	116,112
Total personnel expenses	977,245	102,730	221,328	324,058	1,301,303	1,313,162
Rent	192,744	5,037	15,718	20,755	213,499	204,286
In-Kind professional services	-	76,575	33,763	110,338	110,338	67,922
Professional fees	-	56,773	2,500	59,273	59,273	62,679
Dues, fees, and other charges	15,310	2,876	26,487	29,363	44,673	43,777
Outside services	14,594	8,663	14,706	23,369	37,963	39,546
In-Kind supplies	-	-	30,568	30,568	30,568	38,709
Insurance	17,104	5,774	1,690	7,464	24,568	27,443
In-Kind facility rent	23,577	-	-	-	23,577	22,996
Supplies	21,515	85	1,881	1,966	23,481	13,765
Telephone and internet	16,347	361	1,672	2,033	18,380	15,164
Travel	9,871	1,041	5,365	6,406	16,277	15,183
Conferences and meetings	8,142	3,548	1,570	5,118	13,260	12,804
Affiliation fees	11,239	426	1,462	1,888	13,127	14,062
Postage	3,241	76	5,026	5,102	8,343	8,158
Equipment rent and maintenance	4,537	169	535	704	5,241	3,852
Advertising/outreach	2,648	75	2,494	2,569	5,217	29,485
Interest expense	3,138	326	384	710	3,848	1,163
Depreciation	2,385	94	314	408	2,793	8,055
Printing	174	2	805	807	981	3,718
Maintenance and repairs	-	-	-	-	-	735
Total expenses	\$ 1,323,811	\$ 264,631	\$ 368,268	\$ 632,899	\$ 1,956,710	\$ 1,946,664

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2017
(Comparative Information at June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 284,245	\$ (264,415)
Adjustments to reconcile change in net assets to		
Net cash provided by (used in) operating activities		
Depreciation	2,793	8,055
Loss on asset disposal	-	1,030
Change in operating assets and liabilities		
Grants and pledges receivable	(102,375)	(79,420)
Prepaid expenses	(24,986)	(6,888)
Deposits	(12,050)	2,287
Accounts payable	(55,270)	66,759
Employment liabilities	(10,771)	28,637
Net cash provided by (used in) operating activities	<u>81,586</u>	<u>(243,955)</u>
Cash flows from investing activities		
Purchase of furniture and equipment	-	(1,500)
Proceeds from sale of furniture and equipment	-	1,000
Net cash (used in) investing activities	<u>-</u>	<u>(500)</u>
Cash flows from financing activities		
Borrowings on line of credit	100,000	110,000
Repayments of line of credit	(100,000)	(110,000)
Net cash provided by investing activities	<u>-</u>	<u>-</u>
Net change in cash and cash equivalents	81,586	(244,455)
Cash and cash equivalents, beginning of year	<u>158,806</u>	<u>403,261</u>
Cash and cash equivalents, end of year	<u>\$ 240,392</u>	<u>\$ 158,806</u>
Supplemental information		
Cash paid for interest:	<u>\$ 3,848</u>	<u>\$ 1,163</u>

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 - NATURE OF ACTIVITIES

Big Brothers Big Sisters of the Bay Area, Inc. (“Organization”), incorporated in 1971 as a California nonprofit public benefit organization headquartered in San Francisco, California. The Organization’s mission is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better...forever. The Organization serves the counties of Alameda, Contra Costa, San Francisco, San Mateo, and Santa Clara through community based mentoring. The Organization provides training, support and match monitoring to ensure both the child and the volunteer have a positive experience.

Community-Based Mentoring – Provides professionally supported one-to-one mentoring relationships between screened adult mentors with enrolled children from age six through eighteen. The volunteer and child participate through independently scheduled activities on days and times convenient to both, spending on average, six to eight hours per month together.

Workplace-Based Mentoring – Youth are matched in professionally supported one-to-one mentorship relationships with adult volunteers who are employees of a partnering company. The volunteer and child participate through structured program activities designed and facilitated by Big Brothers Big Sisters of the Bay Area at the company’s location.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Organization currently does not have any permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers cash and cash equivalents to include all cash accounts held in banks and other financial institutions regardless of their maturity date.

Receivables

Grants, awards, donations and pledges receivable are recorded at their net realizable value.

Allowance for Doubtful Accounts

The Organization does not maintain an allowance on grants and awards receivable or on donations and pledges receivable as reimbursements from these funding sources are likely to be received. Accounts receivable allowances are based on management’s assessment of uncollectible balances at the end of the respective period. Balances still outstanding after management has used reasonable collection efforts are written off to bad debts. For the year ended June 30, 2017, a valuation allowance was not considered necessary.

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Held for Investment

The Organization owns a small piece land in Santa Cruz County, which was recorded at the fair value of \$2,000 on the date of donation, as determined by the county assessor.

Property and Equipment

Property and Equipment is recorded at cost when purchased or, if contributed, at the estimate fair market value at the date of donation. The Organization's policy is to capitalize items costing more than \$1,500. Depreciation is computed using the straight-line method over the asset's estimated useful life.

Income Taxes

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management continually evaluates tax positions reflected in the Organization's tax filings and does not believe that any material uncertain tax positions exist.

Advertising

The Organization expenses advertising costs as incurred. Advertising/Outreach expense for the year ended June 30, 2017 was \$5,217.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of donor restrictions. Restricted contributions are reported as an increase in temporarily or permanently restricted net assets. When the restriction is met on a contribution received, the amount is shown as a reclassification from restricted net assets to unrestricted net assets.

Contributions In-Kind

Contributions in-kind are recognized as follows: Donated goods are recorded at their estimated fair market value on the date of donation. Contributed services, which require a specialized skill and which the Organization would have paid if not donated, are recorded at their estimated fair market value at the time the services are rendered. Donated services that do not require specific expertise but which are nonetheless central to the Organization's operations are disclosed in the footnotes to the financial statements.

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 events and results could differ from those estimates.

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 June 30, 2016, from which the summarized information was obtained.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Certain costs have been allocated amount the programs and supporting services benefited.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958: Presentation of Financial Statements of Not-for-Profit Entities)*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet 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 income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Accounting Pronouncements (Continued)

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The Organization elected to early adopt the amendment that no longer requires disclosure of the fair value of financial instruments that are not measured at fair value and as such, these disclosures are not included herein.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Company has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE

Due within one year	\$ 277,455
Due one to five years	<u>58,500</u>
	335,955
Discount to present value	<u>(1,578)</u>
Grants and pledges receivable, net	\$ <u>334,377</u>

Long-term pledges receivable are discounted by 1.41%.

NOTE 4 – FURNITURE AND EQUIPMENT

Software	\$ 95,486
Computer and office equipment	40,409
Furniture and fixtures	<u>12,978</u>
	148,873
Accumulated depreciation	<u>(144,952)</u>
Furniture and equipment, net	\$ <u>3,921</u>

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – LINE OF CREDIT

The Organization had a \$125,000 revolving line-of-credit with First Republic Bank, which matured on June 14, 2017. The line of credit was paid off in full upon maturity.

In June 2017, the Organization opened a \$200,000 revolving line-of-credit with First Republic Bank, which matures June 14, 2018. Advances bear interest at prime + 1% and are secured by the assets of the Organization and guaranteed by a board member. As of June 30, 2017, there was no outstanding balance on the line.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

	Beginning	Additions	Releases	Ending
<u>Restricted as to purpose:</u>				
Community-based mentoring	\$ 78,813	\$ 318,000	\$ (152,705)	\$ 244,108
Customer relation & match specialist salaries	13,541	25,000	(13,541)	25,000
Media campaign for new volunteers	55,378	-	(55,378)	-
<u>Restricted as to time:</u>				
Pledges receivable	<u>58,828</u>	<u>11,594</u>	<u>(21,000)</u>	<u>49,422</u>
Total	\$ <u>206,560</u>	\$ <u>354,594</u>	\$ <u>(242,624)</u>	\$ <u>318,530</u>

NOTE 7 – IN-KIND DONATIONS

The Organization received, and recognized in the Statement of Activities, the following in-kind donations:

Professional Services	\$ 110,338
Program Supplies	18,356
Rent	23,577
Special Event Donations	<u>9,938</u>
Total	\$ <u>162,209</u>

Included in Special Events revenue is \$206,895 of auction and raffle income, representing the fair market value of in-kind donations made as prizes.

For the year ended June 30, 2017, the Organization had volunteers donate significant amounts of time for both program and supporting services. No amount for this time has been recognized in the accompanying Statement of Activities as this volunteer time does not meet the criteria required for recognition.

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8 – SPECIAL EVENTS

	<u>BIG Event</u>	<u>Bowling for Kids</u>	<u>All Others</u>	<u>Total</u>
Donations/Sponsors	\$ 309,590	\$ 58,284	\$ 5,325	\$ 373,199
Ticket Sales	122,921	-	38,583	161,504
Auction/Raffle Sales	<u>155,100</u>	<u>420</u>	<u>51,375</u>	<u>206,895</u>
Gross Revenue	587,611	58,704	95,283	741,598
Less: Facility and Meal Costs	<u>(150,608)</u>	<u>(21,386)</u>	<u>(60,392)</u>	<u>(232,386)</u>
Special Events, Net	<u>\$ 437,003</u>	<u>\$ 37,318</u>	<u>\$ 34,891</u>	<u>\$ 509,212</u>

NOTE 9 – CONCENTRATION OF CREDIT RISK

The Organization maintains its bank accounts in two banks. Amounts are FDIC insured to \$250,000 at each bank. There were no uninsured cash balances at June 30, 2017.

NOTE 10 – AFFILIATION DUES

The Organization is an affiliate of the Big Brothers Big Sisters National Network who provides technical and fund-raising assistance in exchange for affiliation dues, which amounted to \$13,127 for the year ended June 30, 2017.

NOTE 11 – LEASE COMMITMENTS

The Organization leases office space in Milpitas, Oakland, and San Francisco under operating leases expiring through April 2018. The terms of the Milpitas lease agreement calls for monthly fees of \$1. Accordingly, the Organization recognizes an in-kind facility donation for the difference between the facility's fair market value and the monthly fee. The lease in San Francisco will be terminated at the end of the term on July 31, 2017. In May 2017, the Organization signed a new 60-month lease for another office space in San Francisco commencing on August 1, 2017 and moved into the new office in August 2017.

For the year ended June 30, 2017, the Organization paid \$213,499 for office rent and recognized \$23,577 in in-kind rent. Future minimum lease payments are as follows:

<u>Years Ending June 30,</u>	
2018	\$ 170,232
2019	147,960
2020	152,399
2021	156,971
2022	<u>161,680</u>
Total	<u>\$ 789,242</u>

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2017, the date the financial statements were available to be issued, and determined the following reportable event:

- On October 6, 2017, the Organization merged with Big Brothers Big Sisters of the North Bay (“North Bay”). North Bay was merged into the Organization and the separate corporate existence of North Bay ceased. The Organization succeeds, without other transfer, to all of the rights and properties of North Bay and is subject to all the debts and liabilities thereof in the same manner as if the Organization had itself incurred them. Assets received by the Organization were approximately \$1,028,000 and liabilities assumed approximately \$268,000.