



Big Brothers Big Sisters of the Bay Area

SUMMARY OF FINAL FINANCIAL REPORTS FOR BIG BROTHERS BIG SISTERS OF THE NORTH BAY FISCAL YEAR JULY 1, 2016 – JUNE 30, 2017 AND JULY 1, 2017 – OCTOBER 5, 2017

Presented by: Big Brothers Big Sisters of the Bay Area

Date: February 22, 2018

On October 6, 2017, Big Brothers Big Sisters of the North Bay (“North Bay”) merged with Big Brothers Big Sisters of the Bay Area (“BBBSBA”). The decision to merge was made after months of negotiations and due diligence efforts, and it was determined by the Board of Directors from both agencies that a merged organization would be better positioned to serve the greater Bay Area. 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. Solano, Sonoma, Napa and Marin counties were added to the BBBSBA service area of San Francisco, San Mateo, Santa Clara, Alameda and Contra Costa counties. All nine counties will continue to be served by our programs.

Results

The financial reports presented here reflect North Bay’s operations for fiscal year fiscal year July 1, 2016 through June 30, 2017 and the portion of fiscal year 2018 during which North Bay continued to operate as a separate entity prior to the finalization of the merger; July 1, 2017 through October 5, 2017. Big Brothers Big Sisters of the North Bay received a “clean” or “unqualified” audit opinion for fiscal year July 1, 2016 through October 5, 2017; this is the highest level of assurance an audit firm can issue.

Plans for the Future

We encourage readers of these financial reports to review the fiscal year 2017 audited financial statements for Big Brothers Big Sisters of the Bay Area, to learn more about the status of the surviving agency. BBBSBA 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 NORTH BAY, INC.

SAN RAFAEL, CALIFORNIA

FINANCIAL STATEMENTS

OCTOBER 5, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of the North Bay, Inc.
San Rafael, California

We have audited the accompanying financial statements of Big Brothers Big Sisters of the North Bay, Inc. (a nonprofit organization), which comprise the statement of financial position as of October 5, 2017, and the related statements of activities, functional expenses and cash flows for the fifteen month period then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 Big Brothers Big Sisters of the North Bay, Inc. as of October 5, 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.

Emphasis of Matter

During the fifteen month period ending October 5, 2017, Big Brothers Big Sisters of the North Bay, Inc. merged into the national chapter, Big Brothers Big Sisters of the Bay Area. As part of the merger, Big Brothers Big Sisters of the Bay Area has assumed all assets and liabilities of Big Brothers Big Sisters of the North Bay, Inc. Big Brothers Big Sisters of the North Bay, Inc. has ceased to exist after the financial statement date. Our opinion is not modified with respect to this matter.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

R. J. Ricciardi, Inc.

R. J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
February 22, 2018

Big Brothers Big Sisters of the North Bay, Inc.

STATEMENT OF FINANCIAL POSITION

October 5, 2017

ASSETS

Current assets:

| | |
|-------------------------------|----------------|
| Cash and cash equivalents | \$ 290,697 |
| Investments | 49,508 |
| Accounts receivable | 1,525 |
| Pledges receivable, net | 11,909 |
| Prepaid expenses and deposits | <u>21,757</u> |
| Total current assets | <u>375,396</u> |

Non-current assets:

| | |
|---|--------------|
| Pledges receivable, net | 1,951 |
| Property and equipment, net of accumulated depreciation | <u>672</u> |
| Total non-current assets | <u>2,623</u> |

| | |
|--------------|-------------------|
| Total assets | <u>\$ 378,019</u> |
|--------------|-------------------|

LIABILITIES AND NET ASSETS

Current liabilities:

| | |
|---------------------------------------|---------------|
| Accounts payable and accrued expenses | \$ 1,220 |
| Deferred revenue | <u>26,964</u> |
| Total current liabilities | <u>28,184</u> |

| | |
|-------------------|---------------|
| Total liabilities | <u>28,184</u> |
|-------------------|---------------|

Net assets:

| | |
|------------------------|----------------|
| Unrestricted | 194,661 |
| Temporarily restricted | 105,666 |
| Permanently restricted | <u>49,508</u> |
| Total net assets | <u>349,835</u> |

| | |
|----------------------------------|-------------------|
| Total liabilities and net assets | <u>\$ 378,019</u> |
|----------------------------------|-------------------|

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

STATEMENT OF ACTIVITIES

For the Fifteen Month Period Ending October 5, 2017

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--|-------------------|---------------------------|---------------------------|-------------------|
| Revenues: | | | | |
| Grants and contracts | \$ 223,633 | \$ 155,000 | \$ - | \$ 378,633 |
| Contributions | 491,122 | - | - | 491,122 |
| Special events, net | 115,737 | - | - | 115,737 |
| Interest and dividend income | - | 25 | - | 25 |
| Realized and unrealized gain/(loss), net | (113) | - | - | (113) |
| In-kind | 52,903 | - | - | 52,903 |
| Other income | 1,528 | - | - | 1,528 |
| Net assets released from restrictions | <u>185,139</u> | <u>(184,459)</u> | <u>(680)</u> | <u>-</u> |
| Total revenues | <u>1,069,949</u> | <u>(29,434)</u> | <u>(680)</u> | <u>1,039,835</u> |
| Expenses: | | | | |
| Program services | 550,891 | - | - | 550,891 |
| Management and general | 176,612 | - | - | 176,612 |
| Fundraising and development | <u>156,743</u> | <u>-</u> | <u>-</u> | <u>156,743</u> |
| Total expenses | <u>884,246</u> | <u>-</u> | <u>-</u> | <u>884,246</u> |
| Change in net assets | 185,703 | (29,434) | (680) | 155,589 |
| Net asset transfer | (486,452) | - | - | (486,452) |
| Net assets, beginning of period | <u>495,410</u> | <u>135,100</u> | <u>50,188</u> | <u>680,698</u> |
| Net assets, end of period | <u>\$ 194,661</u> | <u>\$ 105,666</u> | <u>\$ 49,508</u> | <u>\$ 349,835</u> |

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

Big Brothers Big Sisters of the North Bay, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Fifteen Month Period Ending October 5, 2017

Exhibit B

| | Program Services | Management and General | Fundraising | Total |
|--------------------------------|---------------------|---------------------------|-------------------|-------------------|
| Functional expenses: | | | | |
| Salaries and benefits | \$ 352,055 | \$ 72,688 | \$ 88,693 | \$ 513,436 |
| Occupancy | 52,590 | 10,620 | 4,196 | 67,406 |
| Mentoring and recruitment | 11,004 | - | 28 | 11,032 |
| Insurance | 19,013 | 2,898 | 2,899 | 24,810 |
| Dues and subscriptions | 6,526 | 11,198 | 1,055 | 18,779 |
| Office | 6,253 | 1,037 | 958 | 8,248 |
| Travel | 5,984 | 131 | 614 | 6,729 |
| Contractual services | 52,673 | 69,822 | 226 | 122,721 |
| Telephone and internet | 12,005 | 1,616 | 1,166 | 14,787 |
| Training and development | 871 | 2,969 | 1,011 | 4,851 |
| Fundraising and communications | 11,076 | 43 | 52,767 | 63,886 |
| Depreciation | 20,831 | 3,130 | 3,130 | 27,091 |
| Other expenses | 10 | 460 | - | 470 |
| Total functional expenses | <u>\$ 550,891</u> | <u>\$ 176,612</u> | <u>\$ 156,743</u> | <u>\$ 884,246</u> |

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

Big Brothers Big Sisters of the North Bay, Inc.
STATEMENT OF CASH FLOWS
For the Fifteen Month Period Ending October 5, 2017

Exhibit C

| | |
|--|-------------------|
| Cash flows from operating activities: | |
| Change in net assets | \$ 155,589 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation | 27,091 |
| Realized and unrealized net loss on investments | 113 |
| Changes in operating assets and liabilities: | |
| Accounts receivable, net | (1,525) |
| Pledges receivable, net | 51,282 |
| Prepaid expenses and deposits | 7,288 |
| Other assets | 8,095 |
| Accounts payable and accrued expenses | (22,965) |
| Accrued vacation | (18,877) |
| Deferred revenue | <u>9,014</u> |
| Net cash (used) by operating activities | <u>215,105</u> |
| Cash flows from investing activities: | |
| Proceeds from sale of investments | (737) |
| Purchase of property and equipment | <u>(14,345)</u> |
| Net cash (used) by investing activities | <u>(15,082)</u> |
| Cash flows from financing activities: | |
| Principal payments on mortgage payable | <u>(33,918)</u> |
| Net cash (used) by financing activities | <u>(33,918)</u> |
| Net increase in cash and cash equivalents | 166,105 |
| Cash and cash equivalents at beginning of year | <u>124,592</u> |
| Cash and cash equivalents at end of year | <u>\$ 290,697</u> |
| Supplemental disclosure of cash flow information: | |
| Interest | <u>\$ 11,069</u> |
| Noncash investing and financing activities: | |
| Transfer of property and equipment, net of accumulated depreciation | \$ 706,534 |
| Transfer of mortgage payable | \$ (220,082) |

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

Big Brothers Big Sisters of the North Bay, Inc.
NOTES TO FINANCIAL STATEMENTS
October 5, 2017

NOTE 1 - GENERAL

Big Brothers Big Sisters of the North Bay, Inc. (the Organization) is a nonprofit California corporation established in 1978 to provide mentors to children in Marin, Napa, Sonoma and Solano Counties.

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. To achieve its mission, the Organization measures specific youth outcomes that focus on educational success, avoidance of risky behaviors, and higher self-esteem, confidence and the ability to relate to others.

The screening, training and matching process is carefully overseen by professional program staff and must meet rigorous standards. The matches are based on compatible interests, needs, and geographic proximity. Once a match is made, counselors maintain regular contact with the volunteer, child and family, providing guidance and support. The average length of a match in the Organization is 28 months and often matches become life-long friendships.

The Organization currently serves approximately 371 youth ages 6-17 through matches in Marin, Napa, Sonoma and Solano Counties. Of the families the Organization serves, approximately 80% are single parents, foster youth or youth living with another relative and 90% are low-income households. Many of the Organization's Littles face hardships and need a Big Brother or Big Sister to brighten their lives and develop the skills they need to succeed in life.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

B. Basis of Presentation

Financial statement presentation follows the financial statement presentation prescribed by Financial Accounting Standards Board (FASB) ASC 958-205 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*). Under ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by the Organization in the course of its operations.

Big Brothers Big Sisters of the North Bay, Inc.
NOTES TO FINANCIAL STATEMENTS
October 5, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Temporarily Restricted Net Assets

The Organization reports contributions as restricted support if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities.

E. Permanently Restricted Net Assets

Permanently restricted net assets consist of assets which donors have restricted (donor-restricted endowments) to be invested in perpetuity. The Board has interpreted the enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original fair value as of the gift date for donor-restricted endowment gifts absent explicit donor stipulations to the contrary. Investment income from endowments is deemed to be appropriated when approved to be spent and the net asset amount is released from restrictions at that time.

F. Cash and Cash Equivalents

Cash and cash equivalents consist principally of amounts on hand and on deposit with commercial banks and money market funds with registered investment companies, with an original maturity of three months or less. All of the Organization's monies are FDIC insured.

G. Investments

Investments with readily determinable fair values are reported at fair value, with current period recognition of increases or decreases in fair value shown in the statement of activities.

H. Grants and Contracts Receivable

The Organization records grants and contracts receivable due within one year at their net realizable value.

The Organization has not accrued an allowance for doubtful accounts as it is the opinion of management that all receivables will be realized.

I. Pledges Receivable

Pledges receivable are recorded at their realizable value, net of an allowance for uncollectible pledges. An allowance for uncollectible pledges, if any, is established through a provision based on both historical losses and estimated losses related to specific accounts through an adjustment to revenue in the year of the pledge. Pledges receivable that are expected to be collected in future years are recorded at fair value based on discounted estimated future cash flows using a risk-free rate modified for certain considerations applicable to the year in which the promises are received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Property and Equipment

Property and equipment consists of land, building, building improvements, furniture, computers and office equipment. The Organization records purchased property and equipment at cost and donated property and equipment at fair value at the date of the gift, when cost or fair value exceeds \$1,000. The Organization computes depreciation using the straight-line method over the estimated useful lives of the property and equipment. Current estimated useful lives of buildings and building improvements range from 7 to 40 years. Furniture, computers and office equipment are depreciated over five years.

K. Deferred Revenue

Deferred revenue represents grant proceeds received in advance of providing services or incurring reimbursable costs under the grant contracts.

L. Grants and Contracts

Grants and contracts are recognized as revenue as grant and contracted services are provided.

M. Contributions

The Organization records contributions in the period a donor makes an unconditional gift or promise to give, if deemed collectible. Unconditional promises to give are recorded at fair value if expected to be collected within one year. Donor-restricted contributions are reported as temporarily or permanently restricted contributions.

N. Special Events

Special events revenue, net of direct benefit costs, is recognized when the event takes place.

O. Functional Allocation of Expenses

The costs of providing program services and supporting activities of the Organization are reported on the statement of functional expenses. Expenses that can be directly identified with a specific function are allocated directly to that function. Expenses that cannot be directly identified with a specific function are allocated among the program services and supporting activities based on allocation methods and estimates made by the Organization's management.

P. Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

Big Brothers Big Sisters of the North Bay, Inc.

NOTES TO FINANCIAL STATEMENTS

October 5, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Q. In-Kind - Donated Services

Donated services are recognized as contributions in accordance with ASC 958, *Accounting for Contributions Received and Contributions Made*, 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. In-kind contributions were \$52,903 for the fifteen month period then ended October 5, 2017.

The Organization also benefits significantly from the approximately 325 individuals that volunteer their time and services to the Organization: from the Big Brothers and Big Sisters who volunteer their time weekly to work one on one with a child; to the Board of Directors charged with ensuring the oversight and strategic direction of the agency; to event volunteers that support match activities and fundraising events; to office volunteers who provide clerical and administrative support. During the fifteen month period ended October 5, 2017, approximately 38,600 volunteer service hours were provided to support the Organization.

NOTE 3 - INCOME TAXES

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code as determined by the Internal Revenue Service. Therefore, it is exempt from income tax except for the tax on unrelated business taxable income, if any.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at October 5, 2017. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - MERGER AND DISSOLUTION

During the fifteen month period ended October 5, 2017, the Organization merged into Big Brothers Big Sisters of America affiliate Big Brothers Big Sisters of the Bay Area. As part of the merger Big Brothers Big Sisters of the Bay Area has assumed all assets and liabilities of the Organization. The Organization has ceased to exist after the financial statement date.

NOTE 5 - INVESTMENTS

Investments consist of money market funds and are stated at fair market value at October 5, 2017 as follows:

| | |
|--------------------|------------------|
| Money Market Funds | <u>\$ 49,508</u> |
|--------------------|------------------|

Big Brothers Big Sisters of the North Bay, Inc.
NOTES TO FINANCIAL STATEMENTS
 October 5, 2017

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, established a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price.

To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of October 5, 2017:

| | | |
|--|----|------------------|
| Level 1: Quoted prices | \$ | 49,508 |
| Level 2: Other significant observable inputs | | - |
| Level 3: Significant unobservable inputs | | - |
| Total | | <u>\$ 49,508</u> |

The investments for October 5, 2017 are further classified as follows:

| | <u>Total</u> <u>Investment</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> |
|--------------------|-----------------------------------|------------------|----------------|----------------|
| Money Market Funds | <u>\$ 49,508</u> | <u>\$ 49,508</u> | <u>\$ -</u> | <u>\$ -</u> |

Big Brothers Big Sisters of the North Bay, Inc.
NOTES TO FINANCIAL STATEMENTS
October 5, 2017

NOTE 7 - PLEDGES RECEIVABLE

Pledges receivable are unconditional promises to pay a certain amount and consist of the following at October 5, 2017:

| | |
|--|------------------|
| Receivable in less than one year | \$ 12,210 |
| Receivable in one to two years | <u>2,000</u> |
| Total pledges receivable before discount | 14,210 |
| Less discount to net present value | <u>(350)</u> |
| Total pledges receivable | <u>\$ 13,860</u> |

Pledges have been discounted at an annual rate of 2.5%

NOTE 8 - PROPERTY AND EQUIPMENT

As of October 5, 2017, property and equipment consisted of the following:

| | |
|--------------------------------|------------------|
| Furniture and office equipment | \$ <u>45,954</u> |
| Subtotal | 45,954 |
| Less accumulated depreciation | <u>(45,282)</u> |
| Property and equipment, net | <u>\$ 672</u> |

Depreciation expense was \$27,091 for the fifteen month period ended October 5, 2017.

NOTE 9 - LINE OF CREDIT

During the year ended October 5, 2017, the Organization entered into an agreement with a bank for a line of credit. Interest is charged monthly at the bank's commercial rate. As of October 5, 2017, there was no outstanding balance.

NOTE 10 - MORTGAGE PAYABLE

During the year ended June 30, 2016, the Organization entered into an agreement with a commercial bank for a property mortgage. The mortgage requires monthly payments of \$1,199 and is scheduled to mature on June 24, 2026. Included in the mortgage is a fixed rate of interest of 3.950%. The mortgage payable is collateralized by a first deed of trust covering land, building and building improvements.

Related Party Transaction

The mortgage was personally guaranteed by a Board Member.

Per the terms of the merger into Big Brothers Big Sisters of the Bay Area they have assumed the mortgage as of September 25, 2017, in the amount of \$220,082 (See NOTE 12).

Big Brothers Big Sisters of the North Bay, Inc.

NOTES TO FINANCIAL STATEMENTS

October 5, 2017

NOTE 11 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are donor-restricted. At October 5, 2017, temporary restricted net assets are as follows:

| | |
|--------------------------|-------------------|
| Grants and contributions | \$ 81,666 |
| Pledges | <u>24,000</u> |
| Total | <u>\$ 105,666</u> |

Permanently restricted net assets as of October 5, 2017 were \$49,508. Permanently restricted net assets are comprised of two special purpose funds. Earnings from the JJ Campership Fund provide funds to be used to send children in the Organization's programs to camp. Funds in the Colby Howe Fund are to be used to provide scholarships to the Organization's mentees for any special need.

NOTE 12 - NET ASSET TRANSFER

For the year ended October 5, 2017, unrestricted net assets has been adjusted by \$486,452 to reflect the transfer of certain assets and liabilities to Big Brothers Big Sisters of the Bay Area, per the merger agreement (see NOTE 4), as follows:

| | |
|-------------------------------|-------------------|
| Building | \$ 573,000 |
| Building Improvements | 95,305 |
| Land | <u>318,000</u> |
| Subtotal | 986,305 |
| Less accumulated depreciation | (279,771) |
| Less mortgage payable | <u>(220,082)</u> |
| Total net asset transfer | <u>\$ 486,452</u> |

NOTE 13 - SPECIAL EVENTS

Special event revenue consisted of the following:

| Fifteen Month Period Ended October 5, 2017 | Revenue | Direct Expenses | Net |
|---|-------------------|--------------------|-------------------|
| Bowl for Kids' Sake | \$ 75,366 | \$ 5,324 | \$ 70,042 |
| Golf for Kids' Sake | 52,431 | 17,903 | 34,528 |
| Evening of Inspiration | 110,969 | 89,619 | 21,350 |
| General Fundraising | <u>1,839</u> | <u>12,022</u> | <u>(10,183)</u> |
| Total | <u>\$ 240,605</u> | <u>\$ 124,868</u> | <u>\$ 115,737</u> |

NOTE 14- RETIREMENT PLANS

The Organization has a 401(k) plan which allows employees to make salary deferral elections. At the discretion of its Board of Directors, the Organization may make contributions to the 401(k) plan. In accordance with provisions of the plan, the Organization allocates its contributions among eligible employees with at least 12 months of service, based on their eligible salary. During the fifteen month period ended October 5, 2017, the Organization did not contribute to the 401(k) plan.

NOTE 15 - LEASES

The Organization leases a facility for its Napa and Solano County location on a month-to-month basis. This lease ended August 30, 2016 at which time the Organization entered into a 3 year lease contract moving their Napa and Solano office to American Canyon.

Per the terms of the merger into Big Brothers Big Sisters of the Bay Area they will assume the lease; therefore no future payments are required from the Organization.

The lease payments for the fifteen month period ending October 5, 2017 amounted to \$20,433.

NOTE 16 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through February 22, 2018, the date the financial statements were issued.

STATEMENT OF ACTIVITIES

For the Fifteen Month Period Ending October 5, 2017

| | 7/1/16 - 6/30/17 | 7/1/17 - 10/5/17 | Total |
|--|---------------------|---------------------|-------------------|
| Revenues: | | | |
| Grants and contracts | \$ 269,550 | \$ 109,083 | \$ 378,633 |
| Contributions | 373,441 | 117,681 | 491,122 |
| Special events, net | 133,085 | (17,348) | 115,737 |
| Interest and dividend income | 13 | 12 | 25 |
| Realized and unrealized gain/(loss), net | (113) | - | (113) |
| In-kind | 33,443 | 19,460 | 52,903 |
| Other income | 3 | 1,525 | 1,528 |
| Total revenues | <u>809,422</u> | <u>230,413</u> | <u>1,039,835</u> |
| Expenses: | | | |
| Salaries and benefits | 424,707 | 88,729 | 513,436 |
| Occupancy | 52,340 | 15,066 | 67,406 |
| Mentoring and recruitment | 9,645 | 1,387 | 11,032 |
| Insurance | 19,125 | 5,685 | 24,810 |
| Dues and subscriptions | 15,409 | 3,370 | 18,779 |
| Office | 7,913 | 335 | 8,248 |
| Travel | 5,458 | 1,271 | 6,729 |
| Contractual services | 96,840 | 25,881 | 122,721 |
| Telephone and internet | 11,458 | 3,329 | 14,787 |
| Training and development | 2,947 | 1,904 | 4,851 |
| Fundraising and communications | 61,912 | 1,974 | 63,886 |
| Depreciation | 21,707 | 5,384 | 27,091 |
| Other expenses | 370 | 100 | 470 |
| Total expenses | <u>729,831</u> | <u>154,415</u> | <u>884,246</u> |
| Change in net assets | <u>\$ 79,591</u> | <u>\$ 75,998</u> | <u>\$ 155,589</u> |