

SUMMARY OF FINANCIAL RESULTS

FISCAL YEAR 2018

Organization: Big Brothers Big Sisters of the Bay Area

Date: February 1, 2019

Our organization received a “clean” or “unqualified” audit opinion for the fiscal year July 1, 2017, through June 30, 2018; 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 clearer picture of the organization’s financial health.

Matter of Emphasis

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 merged into BBBSBA, and the separate corporate existence of the North Bay ceased. BBBSBA assumed assets and liabilities of the North Bay, including offices, staff, and matches served by their program, and notably a property at 1618 Second Street in San Rafael. Net assets have been adjusted by \$843,426 to reflect the transfer of certain assets and liabilities to Big Brothers Big Sisters of the Bay Area on October 6, 2017.

All nine counties will continue to be served by our programs.

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 failed to cover our total expenses in 1 of the past two years. The organization had a deficit of -\$579,419 in fiscal year 2018 and a surplus of \$284,246 in fiscal year 2017. This indicates the financial effects of the 2017 merger between BBBSBA and North Bay; in the weeks running up to the dissolution of the North Bay, they continued to receive donations during a time that BBBSBA had assumed responsibilities for their expenses. The operating deficit in fiscal year 2018 was funded by the asset transfer as a result of the merger, and through a line of credit.

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 66.9% of our total expenses. M&G expense makes up 11.1% of our total expenses and fundraising expense making up the remaining 21.9% 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.

As of our most recent financial statements, Big Brothers Big Sisters of the Bay Area had -\$56,126 of LUNA. This amount is below the 3-6 month recommended benchmark; however, our organization has a long term plan to address our negative LUNA. In December 2018, the Board of Directors for the organization approved a motion to sell the property at 1618 Second Street, San Rafael, converting the fixed asset into a liquid asset that will provide operational reserves for the organization.

Although our permanently restricted net assets amount to \$49,552 as of the end of the fiscal year, we recognize that these funds are not available for internal borrowing.

Plans for the Future

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 to re-stabilize our cashflow post-merger.
- During the calendar year of 2019, we intend to sell the 1618 Second Street property and create operating reserves to provide a sustainable future for our newly expanded service area.
- For the upcoming fiscal year, we will be assessing year one of our 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.

SAN FRANCISCO, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2018

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R. J. RICCIARDI, INC.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of the Bay Area, Inc.
San Francisco, California

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of the Bay Area, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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.

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 organization'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 organization'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 opinions.

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 Bay Area, Inc. as of June 30, 2018, 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

Merger - As discussed in Note 18 to the financial statements, during the year ended June 30, 2018, Big Brothers Big Sisters of the North Bay merged with Big Brothers Big Sisters of the Bay Area, Inc. Net assets have been adjusted by \$843,426 to reflect the transfer of certain assets and liabilities to Big Brothers Big Sisters of the Bay Area. Our opinion is not modified with respect to this matter.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 15, 2018

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENT OF FINANCIAL POSITION

June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 219,075
Grants and pledges receivable, net	125,002
Prepaid expenses and other current assets	<u>80,262</u>
Total current assets	<u>424,339</u>

Non-current assets:

Restricted cash and cash equivalents	49,552
Grants and pledges receivable, net	14,543
Fixed assets, net of accumulated depreciation	<u>760,360</u>
Total non-current assets	<u>824,455</u>

Total assets \$ 1,248,794

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued liabilities	\$ 88,561
Accrued payroll	77,297
Accrued vacation	111,832
Notes payable, current portion	<u>4,914</u>
Total current liabilities	<u>282,604</u>

Non-current liabilities:

Notes payable, net of current portion	<u>211,232</u>
Total non-current liabilities	<u>211,232</u>

Total liabilities 493,836

Net assets:

Unrestricted	488,088
Temporarily restricted	217,318
Permanently restricted	<u>49,552</u>
Total net assets	<u>754,958</u>

Total liabilities and net assets \$ 1,248,794

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

Big Brothers Big Sisters of the Bay Area, Inc.

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues:				
Public support and grants	\$ 928,675	\$ 178,671	\$ -	\$ 1,107,346
Government grants	71,483	-	-	71,483
Special events, net	732,801	-	-	732,801
In-kind contributions	139,410	-	-	139,410
Investment and other income	625	-	45	670
Net assets released from restrictions	<u>298,050</u>	<u>(298,050)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,171,044</u>	<u>(119,379)</u>	<u>45</u>	<u>2,051,710</u>
Expenses:				
Program services:				
Mentoring	1,762,842	-	-	1,762,842
Supportive services:				
Management and general	291,338	-	-	291,338
Fundraising	<u>576,949</u>	<u>-</u>	<u>-</u>	<u>576,949</u>
Total expenses	<u>2,631,129</u>	<u>-</u>	<u>-</u>	<u>2,631,129</u>
Change in net assets	(460,085)	(119,379)	45	(579,419)
Net assets, beginning of period	172,421	318,530	-	490,951
Net assets transfer	<u>775,752</u>	<u>18,167</u>	<u>49,507</u>	<u>843,426</u>
Net assets, end of period	<u>\$ 488,088</u>	<u>\$ 217,318</u>	<u>\$ 49,552</u>	<u>\$ 754,958</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
For the Year Ended June 30, 2018

	Program	<u>Supportive Services</u>		Total
	<u>Services</u>	Management		
	Mentoring	and General	Fundraising	
Expenses:				
Salaries and wages	\$ 1,093,011	\$ 102,211	\$ 304,568	\$ 1,499,790
Payroll taxes	79,208	7,922	22,706	109,836
Employee benefits	130,531	12,222	34,977	177,730
Rent	176,952	4,143	18,056	199,151
In-kind professional services	-	44,714	7,638	52,352
Professional fees	15	81,081	2,750	83,846
Dues, fees, and other charges	20,163	8,731	37,537	66,431
Outside services	31,088	16,146	51,093	98,327
In-kind supplies	-	-	52,364	52,364
Insurance	28,980	7,754	4,190	40,924
In-kind facility rent	22,686	-	-	22,686
Supplies	34,672	720	3,750	39,142
Telephone and internet	31,271	888	3,640	35,799
Travel	21,136	780	6,995	28,911
Meetings and conferences	8,307	1,335	1,308	10,950
Payments to affiliates	11,374	391	1,815	13,580
Postage	3,101	170	3,890	7,161
Equipment rent and maintenance	8,725	259	1,138	10,122
Marketing and outreach	1,517	38	2,155	3,710
Interest expense	5,889	978	972	7,839
Depreciation	15,363	510	2,373	18,246
Printing	2,052	68	12,096	14,216
Maintenance and repairs	6,801	277	938	8,016
Bad debt expense	30,000	-	-	30,000
	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total expenses	<u>\$ 1,762,842</u>	<u>\$ 291,338</u>	<u>\$ 576,949</u>	<u>\$ 2,631,129</u>

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

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

Cash flows from operating activities:	
Change in net assets	\$ (579,419)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	18,246
Changes in certain assets and liabilities:	
Grants and pledges receivable, net	208,832
Prepaid expenses and other current assets	38,019
Accounts payable and accrued liabilities	6,959
Accrued payroll	22,860
Accrued vacation	40,216
Net cash provided (used) by operating activities	<u>(244,287)</u>
Cash flows from investing activities:	
Purchase of fixed assets	<u>(65,480)</u>
Net cash provided (used) by investing activities	<u>(65,480)</u>
Cash flows from financing activities:	
Proceeds from line of credit	150,000
Payments on line of credit	(150,000)
Payments on notes payable	<u>(3,936)</u>
Net cash provided (used) by financing activities	<u>(3,936)</u>
Net increase (decrease) in cash during the period	(313,703)
Cash balance, beginning of period	240,392
Cash and cash equivalents from net assets transfer*	<u>341,938</u>
Cash balance, end of period	<u>\$ 268,627</u>
Summary of cash and cash equivalents at end of period:	
Cash and cash equivalents	\$ 219,075
Restricted cash and cash equivalents	<u>49,552</u>
Total cash and cash equivalents at end of period	<u>\$ 268,627</u>
Supplemental disclosures of cash flow information:	
Interest paid	<u>\$ 7,839</u>
Noncash activities:	
Acquisition of assets and liabilities through merger:	
*Cash and cash equivalents	\$ 341,938
Grants and pledges receivable, net	14,000
Prepaid expenses and other current assets	27,328
Fixed assets, net of accumulated depreciation	707,206
Accounts payable and accrued liabilities	(26,964)
Notes payable	<u>(220,082)</u>
Net assets	<u>\$ 843,426</u>

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

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL

A. Organization

Big Brothers Big Sisters of the Bay Area, Inc. (the 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, Marin, San Francisco, San Mateo, Santa Clara, Napa, Solano, and Sonoma through community-based and workplace-based mentoring. The Organization provides training, support and match monitoring to ensure both the child and the volunteer have a positive experience.

B. Programs

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

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 the 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 recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB 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 Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Permanently Restricted Net Assets

The Organization receives permanently restricted endowments. The endowments have been invested and are to be held indefinitely in the Permanently Restricted Net Assets Fund.

F. Allocation of Expenses

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 among the programs and supporting services benefited.

G. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and highly liquid investments such as certificates of deposit with a maturity of three months or less.

H. Grants and Pledges Receivable

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, 2018, a valuation allowance was not considered necessary.

I. Fixed Assets

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. Expenditures for maintenance and repairs are charged to expense as incurred.

J. Revenue Recognition

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.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Donated Goods and Services

Contributions in-kind are recognized as follows: Donated goods are recorded at their estimated fair market value on the date of donation. Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, 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 services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

L. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles 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.

M. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

N. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 15, 2018, the date the financial statements were available to be issued.

O. Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. Generally Accepted Accounting Principles (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 Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

O. Accounting Pronouncements (concluded)

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.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors and grantors may obtain tax benefits. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private Organization" within the meaning of Section 509(a) of the Code.

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 June 30, 2018. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of June 30, 2018 were as follows:

Unrestricted:		
Wells Fargo Bank	\$	208,861
First Republic Bank		9,814
Petty cash		<u>400</u>
Total	\$	<u>219,075</u>
Restricted:		
Charles Schwab	\$	<u>49,552</u>

The bank balances were insured under the \$250,000 blanket umbrella by the FDIC.

NOTE 5 - GRANTS AND PLEDGES RECEIVABLE

The Organization receives grants and pledges receivable from multiple donors. Grants and pledges receivable as of June 30, 2018 were as follows:

Receivable in less than one year	\$	125,002
Receivable in one to three years		<u>15,000</u>
Total grants and pledges receivable		140,002
Less discounts to net present value (discounted by 1.41%)		<u>(457)</u>
Total grants and pledges receivable	\$	<u>139,545</u>
Current portion	\$	125,002
Non-current portion		<u>14,543</u>
Total	\$	<u>139,545</u>

NOTE 6 - FIXED ASSETS

Fixed assets as of June 30, 2018 were as follows:

	<u>Years</u>	
Land	N/A	\$ 320,000
Building and building improvements	7-40	668,305
Software	2-3	135,686
Computer and office equipment	3-5	61,189
Furniture and fixtures	3-7	63,432
Total		<u>1,248,612</u>
Less accumulated depreciation		<u>(488,252)</u>
Fixed assets, net		<u>\$ 760,360</u>

Depreciation expense was \$18,246 for the year ended June 30, 2018.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$111,832 as of June 30, 2018.

NOTE 8 - LINE OF CREDIT

In June 2017, the Organization obtained a line of credit with First Republic Bank in the amount of \$200,000 with an expiration date of June 14, 2018. The line of credit was renewed with First Republic Bank with a new expiration date of March 25, 2019. The interest on the used portion of this line is 1.00% over the prime rate. As of June 30, 2018 there was no balance on the line of credit. Total interest paid on the line of credit was \$1,195 for the year ended June 30, 2018.

NOTE 9 - NOTES PAYABLE

In October 2017, the Organization acquired a loan from First Republic Bank from the merger (see Note 18). The loan (secured by real property) was for \$220,500 with principal and interest due over a ten year period at an initial interest rate of 4.00%, payable in monthly installments of \$1,171 through September 2022. In October 2022, the interest rate will change to 3.90% and the monthly installments will change to \$1,161 through August 2027 with a final payment of \$159,160.

An amortization schedule for the loan is as follows:

	<u>Principal</u>	<u>Interest</u>
For the year ended June 30, 2019	\$ 4,914	\$ 9,433
For the year ended June 30, 2020	5,564	8,487
For the year ended June 30, 2021	5,817	8,234
For the year ended June 30, 2022	6,057	7,994
For the year ended June 30, 2023	6,360	7,599
Thereafter	187,434	28,597
Total	<u>\$ 216,146</u>	<u>\$ 70,344</u>

Total interest paid on the loan was \$6,644 for the year ended June 30, 2018.

NOTE 10 - SPECIAL EVENTS, NET

During the year ended June 30, 2018, special events were as follows:

	<u>The Big Event</u>	<u>Evening of Inspiration</u>	<u>All Others</u>	<u>Total</u>
Contributions/sponsors	\$ 334,369	\$ 77,364	\$ 221,350	\$ 633,083
Ticket sales	124,571	8,500	50,703	183,774
Auction sales	159,700	54,600	10,277	224,577
Gross revenue	618,640	140,464	282,330	1,041,434
Less expenses	(146,554)	(66,267)	(95,812)	(308,633)
Special events, net	<u>\$ 472,086</u>	<u>\$ 74,197</u>	<u>\$ 186,518</u>	<u>\$ 732,801</u>

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 11 - IN-KIND CONTRIBUTIONS

The Organization received and recognized in the Statement of Activities the following in-kind contributions as of June 30, 2018:

Professional services	\$	52,352
Facility rent		22,686
Special event donations and program supplies		<u>64,372</u>
Total	\$	<u>139,410</u>

NOTE 12 - AFFILIATION DUES

The Organization is an affiliate of the Big Brothers Big Sisters National Network who provides technical and fundraising assistance in exchange for affiliation dues. The amount paid for affiliation dues for the year ended June 30, 2018 was \$13,580.

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30, 2018 were available for the following purposes:

	<u>Beginning Balance</u>	<u>Additions/ Transfers</u>	<u>Releases</u>	<u>Ending Balance</u>
Community-based mentoring projects	\$ 244,108	\$ 195,718	\$ (262,550)	\$ 177,276
Customer relation and match specialist salaries	25,000	-	(25,000)	-
Other	<u>49,422</u>	<u>1,120</u>	<u>(10,500)</u>	<u>40,042</u>
Total	<u>\$ 318,530</u>	<u>\$ 196,838</u>	<u>\$ (298,050)</u>	<u>\$ 217,318</u>

NOTE 14 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30, 2018 were as follows:

JJ Campership Fund	\$	25,995
Colby Howe Fund		<u>23,557</u>
Total	\$	<u>49,552</u>

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 needs.

NOTE 15 - ENDOWMENTS

The Organization's endowments include donor-restricted endowment funds. As required by accounting principles generally accepted in the United States, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 15 - ENDOWMENTS (concluded)

The Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) governs the management of endowment funds held by charitable institutions, which has been adopted by the State of California. UPMIFA prescribes guidelines for expenditures of a donor-restricted endowment fund (in the absence of overriding, explicit donor stipulations) in a more robust set of guidelines about what constitutes prudent spending, explicitly requiring consideration of the duration and preservation of the fund. The act generally requires the Organization's governing board to establish a spending policy and establishes a rebuttable presumption of imprudence for spending in any given year.

The Organization has interpreted the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as restricted net position: (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 instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Changes in the endowment net position for the year ended June 30, 2018 were as follows:

Transfer from merger (see Note 18)	\$ 49,507
Investment income	<u>45</u>
Account balances as of 6/30/18	<u>\$ 49,552</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level SPMIFA requires the Organization to retain as permanently restricted. Deficiencies of this nature result from unfavorable market fluctuations. There were no deficiencies as of June 30, 2018.

The endowment net position is presented in the Statement of Net Position as follows:

Restricted cash and cash equivalents	\$ <u>49,552</u>
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Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 16 - PENSION PLAN

The Organization has a defined contribution plan under Section 403(b) of the Internal Revenue Code, (the Plan) for all eligible employees. Employees are eligible upon hire. The Organization does not contribute to the plan.

NOTE 17 - OPERATING LEASE COMMITMENTS

The Organization leases office space in Milpitas, Napa, and San Francisco under operating leases expiring through August 1, 2022. The terms of the Milpitas lease agreement calls for monthly fees of \$876. Accordingly, the Organization recognizes an in-kind facility donation for the difference between the facility's fair market value and the monthly fee in the amount of \$22,686 for the year ended June 30, 2018. In May 2017, the Organization signed a 60-month lease for office space in San Francisco expiring on August 1, 2022. In August 2018, the Organization signed a 24-month lease for office space in Napa expiring on August 20, 2020.

The total expenses for occupancy were \$220,437 for the year ended June 30, 2018. Minimum future rental payments under non-cancelable operating building leases for each of the next five years in aggregate are:

For the year ended June 30, 2019	\$ 169,960
For the year ended June 30, 2020	176,399
For the year ended June 30, 2021	158,971
For the year ended June 30, 2022	161,680
For the year ended June 30, 2023	<u>13,113</u>
Total	<u>\$ 680,123</u>

NOTE 18 - NET ASSETS TRANSFER - MERGER

On October 6, 2017, Big Brothers Big Sisters of the North Bay (the North Bay) merged with the Organization. The North Bay was merged into the Organization and the separate corporate existence of the North Bay ceased. The Organization succeeds, without other transfer, to all of the rights and properties of the 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 \$1,090,472 and liabilities assumed were \$247,046.

On October 6, 2017, net assets had been adjusted by \$843,426 to reflect the transfer of certain assets and liabilities to Big Brothers Big Sisters of the Bay Area, per the merger agreement as follows:

Cash and cash equivalents	\$ 292,431
Restricted cash and cash equivalents	49,507
Grants and pledges receivable, net	14,000
Prepaid expenses and other current assets	27,328
Fixed assets, net of accumulated depreciation	707,206
Accounts payable and accrued liabilities	(26,964)
Notes payable	<u>(220,082)</u>
Net assets	<u>\$ 843,426</u>