

SUMMARY OF FINANCIAL RESULTS

FISCAL YEAR 2020

Organization: Big Brothers Big Sisters of the Bay Area

Date: January 21, 2021

Our organization received a “clean” or “unqualified” audit opinion for the fiscal year July 1, 2019, through June 30, 2020; 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.

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 in 2 of the past four years. The organization had a deficit of -\$454,849 in fiscal year 2020, a surplus of \$308,467 in fiscal year 2019, a deficit of -\$579,419 in fiscal year 2018, and a surplus of \$284,246 in fiscal year 2017. The deficit in fiscal year 2020 is the result of cancelled fundraising events in response to the COVID-19 outbreak. The annual Gala, the agency’s largest fundraising event, was planned for April 2020 and was cancelled; a scaled-down virtual event was held in July 2020. The agency’s annual golf tournament, scheduled for June 2020 was also postponed indefinitely. The operating deficit in was funded by available unrestricted reserves and Payroll Protection Program loan that has been fully forgiven. The deficit in fiscal year 2018 indicates the financial effects of the 2017 merger between BBBSBA and North Bay.

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 72.2% of our total expenses. M&G expense makes up 8.6% of our total expenses and fundraising expense making up the remaining 19.2% 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 audited financial statements, Big Brothers Big Sisters of the Bay Area had \$508,909 of LUNA, enough to cover approximately 2.6 months of operating expenses. This amount is below the 3-6 month recommended benchmark; however, our LUNA has increased for the past two years. This total does include \$329,000 in a board designated account, but the funds are not designated for specific use or other restriction and can be used for operations with board approval.

Although our permanently restricted net assets amount to \$49,744 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. However, with the ongoing COVID-19 pandemic, the agency is focused on responding to the changing economic landscape in order to maintain organizational sustainability for the future and continue to deliver mentoring services.

BIG BROTHERS BIG SISTERS OF THE BAY AREA, INC.

SAN FRANCISCO, CALIFORNIA

FINANCIAL STATEMENTS

JUNE 30, 2020

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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, 2020, 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, 2020, 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 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 27, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

R. J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
December 18, 2020

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENTS OF FINANCIAL POSITION
 June 30, 2020
 (With Comparative Totals for June 30, 2019)

	2020	2019
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 919,593	\$ 908,443
Grants and pledges receivable, net	71,526	260,679
Prepaid expenses and other current assets	145,467	35,803
Total current assets	1,136,586	1,204,925
Non-current assets:		
Restricted cash and cash equivalents	49,744	49,695
Fixed assets, net of accumulated depreciation	29,623	48,967
Total non-current assets	79,367	98,662
Total assets	\$ 1,215,953	\$ 1,303,587
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 18,142	\$ 54,620
Accrued payroll	77,161	64,946
Accrued vacation	114,859	120,596
Deferred revenue	96,225	-
Notes payable, current portion	175,051	-
Total current liabilities	481,438	240,162
Non-current liabilities:		
Notes payable, net of current portion	125,939	-
Total non-current liabilities	125,939	-
Total liabilities	607,377	240,162
Net assets:		
Net assets without donor restrictions	538,532	690,205
Net assets with donor restrictions	70,044	373,220
Total net assets	608,576	1,063,425
Total liabilities and net assets	\$ 1,215,953	\$ 1,303,587

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

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
Revenues:				
Public support and grants	\$ 1,469,824	\$ 160,250	\$ 1,630,074	\$ 1,519,938
Special events, net	119,780	-	119,780	813,973
In-kind contributions	104,277	-	104,277	136,246
Other income	6,458	49	6,507	126
Gain on sale of fixed assets	-	-	-	367,921
Net assets released from restrictions	<u>463,475</u>	<u>(463,475)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>2,163,814</u>	<u>(303,176)</u>	<u>1,860,638</u>	<u>2,838,204</u>
Expenses:				
Program services:				
Mentoring	<u>1,669,895</u>	<u>-</u>	<u>1,669,895</u>	<u>1,724,338</u>
Supportive services:				
Management and general	199,310	-	199,310	245,886
Fundraising	<u>446,282</u>	<u>-</u>	<u>446,282</u>	<u>559,513</u>
Total supportive services	<u>645,592</u>	<u>-</u>	<u>645,592</u>	<u>805,399</u>
Total expenses	<u>2,315,487</u>	<u>-</u>	<u>2,315,487</u>	<u>2,529,737</u>
Change in net assets	(151,673)	(303,176)	(454,849)	308,467
Net assets, beginning of period	<u>690,205</u>	<u>373,220</u>	<u>1,063,425</u>	<u>754,958</u>
Net assets, end of period	<u>\$ 538,532</u>	<u>\$ 70,044</u>	<u>\$ 608,576</u>	<u>\$ 1,063,425</u>

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

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	Program		Supportive Services			Total 2020	Total 2019
	Services	Management					
		Mentoring	and General	Fundraising	Subtotal		
Expenses:							
Salaries and wages	\$ 1,050,370	\$ 82,599	\$ 257,156	\$ 339,755	\$ 1,390,125	\$ 1,518,813	
Payroll taxes	77,226	6,560	20,847	27,407	104,633	111,066	
Employee benefits	138,386	14,083	38,676	52,759	191,145	177,394	
Awards and gifts	12,200	-	-	-	12,200	-	
Business expenses	5,609	1,598	18,176	19,774	25,383	54,702	
Contract services	6,037	63,360	30,406	93,766	99,803	69,659	
In-kind professional services	-	13,576	-	13,576	13,576	61,607	
Depreciation	15,447	716	3,181	3,897	19,344	38,223	
Equipment rental and maintenance	8,972	404	1,798	2,202	11,174	10,850	
Office maintenance	608	-	-	-	608	2,599	
Occupancy	182,975	5,809	25,837	31,646	214,621	218,227	
In-kind facility rent	35,363	-	-	-	35,363	28,350	
Facilities and equipment	2,018	-	-	-	2,018	9,153	
Printing	2,370	12	4,535	4,547	6,917	12,215	
Office supplies	7,370	118	448	566	7,936	10,889	
Telephone and internet	25,017	1,013	4,505	5,518	30,535	33,114	
Program supplies	1,638	-	-	-	1,638	14,419	
In-kind supplies	-	-	18,406	18,406	18,406	45,915	
Operations expenses	11,064	244	10,702	10,946	22,010	13,598	
Insurance	14,366	5,790	2,968	8,758	23,124	31,455	
Interest expense	-	1,491	-	1,491	1,491	20,178	
Travel	10,058	95	1,412	1,507	11,565	20,673	
Meetings and conferences	4,387	452	1,042	1,494	5,881	6,810	
Payments to affiliates	29,914	1,390	6,187	7,577	37,491	19,828	
Bad debt expense	28,500	-	-	-	28,500	-	
 Total expenses	 <u>\$ 1,669,895</u>	 <u>\$ 199,310</u>	 <u>\$ 446,282</u>	 <u>\$ 645,592</u>	 <u>\$ 2,315,487</u>	 <u>\$ 2,529,737</u>	

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

Big Brothers Big Sisters of the Bay Area, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (454,849)	\$ 308,467
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	19,344	38,223
Gain on sale of fixed assets	-	(367,921)
Changes in certain assets and liabilities:		
Grants and pledges receivable, net	189,153	(121,134)
Prepaid expenses and other current assets	(109,664)	44,459
Accounts payable and accrued liabilities	(36,478)	(33,941)
Accrued payroll	12,215	(12,351)
Accrued vacation	(5,737)	8,764
Deferred revenue	96,225	-
Net cash provided (used) by operating activities	(289,791)	(135,434)
Cash flows from investing activities:		
Proceeds from sale of fixed assets	-	1,041,091
Net cash provided (used) by investing activities	-	1,041,091
Cash flows from financing activities:		
Proceeds from line of credit	-	200,000
Payments on line of credit	-	(200,000)
Proceeds from notes payable	300,990	-
Payments on notes payable	-	(216,146)
Net cash provided (used) by financing activities	300,990	(216,146)
Net increase (decrease) in cash during the period	11,199	689,511
Cash balance, beginning of period	958,138	268,627
Cash balance, end of period	\$ 969,337	\$ 958,138
Summary of cash and cash equivalents at end of period:		
Cash and cash equivalents	\$ 919,593	\$ 908,443
Restricted cash and cash equivalents	49,744	49,695
Total cash and cash equivalents at end of period	\$ 969,337	\$ 958,138
Supplemental disclosures of cash flow information:		
Interest paid	\$ 1,000	\$ 20,178

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, 2020

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 create and support one-to-one mentoring relationships that ignite the power and promise of youth. 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

On August 18, 2016, Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. (ASC) 958-205 is effective for the Organization for the fiscal year ended June 30, 2019.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (continued)

Under the provisions, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net Assets with Donor Restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

C. 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. All shared expenses are classified to a shared cost pool and allocated programs, management and general, and fundraising at the end of each month. The percentage used to allocate expenses is based on employee time allocation. Joint costs are allocated on an individual basis between fundraising and direct programs depending on the nature of the expense.

D. 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.

E. 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, 2020, a valuation allowance was not considered necessary.

F. 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 \$5,000. 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.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Deferred Revenue

Deferred revenue primarily consists of income related to special events to be held in July and August 2020.

H. Revenue Recognition

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of donor restrictions. Restricted contributions are reported as an increase in net assets with donor restrictions. When the restriction is met on a contribution received, the amount is shown as a reclassification from net assets with donor restrictions to net assets without donor restrictions.

I. 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.

J. 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.

K. 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.

L. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 18, 2020, the date the financial statements were available to be issued.

M. 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, 2019, from which the summarized information was derived.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

N. Accounting Pronouncements

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, 2020, 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.

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, 2020. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH AND CASH EQUIVALENTS

The cash balances as of June 30 were as follows:

	2020	2019
Unrestricted:		
Wells Fargo Bank	\$ 383,059	\$ 576,006
First Republic Bank	536,134	332,179
Petty cash	400	258
Total	\$ 919,593	\$ 908,443
Restricted:		
Charles Schwab	\$ 49,744	\$ 49,695

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 4 - CASH AND CASH EQUIVALENTS (concluded)

The bank balances were insured under the \$250,000 blanket umbrella by the FDIC. The remaining bank balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

NOTE 5 - FIXED ASSETS

Fixed assets as of June 30 were as follows:

	<u>Years</u>	<u>2020</u>	<u>2019</u>
Land	N/A	\$ 2,000	\$ 2,000
Software	2-3	40,199	40,199
Computer and office equipment	3-5	61,189	61,189
Furniture and fixtures	3-7	<u>39,585</u>	<u>39,585</u>
Total		142,973	142,973
Less accumulated depreciation		<u>(113,350)</u>	<u>(94,006)</u>
Fixed assets, net		<u>\$ 29,623</u>	<u>\$ 48,967</u>

Depreciation expense was \$19,344 and \$38,223 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 6 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$114,859 and \$120,596 as of June 30, 2020 and June 30, 2019, respectively.

NOTE 7 - NOTES PAYABLE

In April 2020, the Organization obtained an SBA Paycheck Protection Program (PPP) loan through First Republic Bank in the amount of \$300,500 to finance operations during the Coronavirus Pandemic referenced in Note 19. The PPP loan bears an interest rate of 1% and is payable in monthly installments of \$12,652 through April 2022. However, the PPP loan can be forgiven in accordance with the requirements of the Paycheck Protection Program, including the provisions of Section 1106 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) (P.L. 116-136), as interpreted and clarified by Interim Final Rule published at 13 CFR Part 120 and by any other relevant regulation promulgated or guidance issued by the U.S. Small Business Administration (SBA) or U.S. Treasury. There is no guarantee that the Organization will receive forgiveness of any portion of the Loan. Forgiveness is conditioned on SBA Approval and SBA reimbursement to the Lender.

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 7 - NOTES PAYABLE (concluded)

Loan Forgiveness: The Organization may apply to the SBA through First Republic Bank for forgiveness within 10 months of the completion of the covered 24-week period. The forgiveness amount will be equal to the sum of the following costs paid by the Organization during this 24-week period, beginning on the date of first disbursement of this loan:

- a. Payroll costs (Not more than 40% of the amount forgiven can be attributable to non-payroll costs.)
- b. Any payment of interest on a covered mortgage obligation (which shall not include any prepayment of or payment of principal on a covered mortgage obligation)
- c. Any payment on a covered rent obligation
- d. Any covered utility payment

Contingent payments for the PPP loan payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2021 (current portion includes \$490 of accrued interest)	\$ 175,051	\$ 2,563
2022	<u>125,939</u>	<u>577</u>
Total	<u>\$ 300,990</u>	<u>\$ 3,140</u>

NOTE 8 - LINE OF CREDIT

The Organization currently has a line of credit with First Republic Bank in the amount of \$200,000 with an expiration date of August 14, 2021. The interest on the used portion of this line is 1.00% over the prime rate. As of June 30, 2020 and June 30, 2019 there were no balances on the line of credit. Total interest paid on the line of credit was \$0 and \$6,887 for the years ended June 30, 2020 and June 30, 2019, respectively.

NOTE 9 - SPECIAL EVENTS, NET

During the year ended June 30, 2020, special events were as follows:

	<u>The Big Event*</u>	<u>Evening of Inspiration</u>	<u>All Others</u>	<u>Total</u>
Contributions/sponsors	\$ -	\$ 53,460	\$ 80,252	\$ 133,712
Ticket sales	-	10,500	2,255	12,755
Auction sales	<u>-</u>	<u>21,800</u>	<u>2,940</u>	<u>24,740</u>
Gross revenue	-	85,760	85,447	171,207
Less expenses	<u>-</u>	<u>(22,108)</u>	<u>(29,319)</u>	<u>(51,427)</u>
Special events, net	<u>\$ -</u>	<u>\$ 63,652</u>	<u>\$ 56,128</u>	<u>\$ 119,780</u>

*The Big Event was not held this year due to the Coronavirus Pandemic mentioned in Note 19.

During the year ended June 30, 2019, special events were as follows:

	<u>The Big Event</u>	<u>Evening of Inspiration</u>	<u>All Others</u>	<u>Total</u>
Contributions/sponsors	\$ 400,707	\$ 93,200	\$ 181,461	\$ 675,368
Ticket sales	166,300	23,880	17,740	207,920
Auction sales	<u>125,900</u>	<u>25,450</u>	<u>15,340</u>	<u>166,690</u>
Gross revenue	692,907	142,530	214,541	1,049,978
Less expenses	<u>(146,567)</u>	<u>(23,042)</u>	<u>(66,396)</u>	<u>(236,005)</u>
Special events, net	<u>\$ 546,340</u>	<u>\$ 119,488</u>	<u>\$ 148,145</u>	<u>\$ 813,973</u>

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 10 - IN-KIND CONTRIBUTIONS

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

	2020	2019
Professional services	\$ 13,576	\$ 61,607
Facility rent	35,363	28,350
Special event donations and program supplies	55,338	46,289
Total	\$ 104,277	\$ 136,246

NOTE 11 - 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 years ended June 30, 2020 and June 30, 2019 was \$37,491 and \$19,828, respectively.

NOTE 12 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions as of June 30 were as follows:

	2020	2019
Net assets without donor restrictions - undesignated	\$ 209,532	\$ 361,205
Net assets without donor restrictions - board designated	329,000	329,000
Total	\$ 538,532	\$ 690,205

Net assets without donor restrictions were designated by the Board for supported projects.

NOTE 13 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2020 were available for the following purposes:

	Beginning Balance	Contributions and Earnings	Releases	Ending Balance
Subject to Expenditure for Specified Purpose				
Community-based mentoring projects	\$ 295,025	\$ 160,250	\$ (434,975)	\$ 20,300
Other	28,500	-	(28,500)	-
Subject to Spending Policy & Appropriation				
Endowment funds	49,695	49	-	49,744
Total	\$ 373,220	\$ 160,299	\$ (463,475)	\$ 70,044

Big Brothers Big Sisters of the Bay Area, Inc.
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NOTE 14 - ENDOWMENT FUNDS

Endowment funds as of June 30 were as follows:

	2020	2019
JJ Campership Fund	\$ 26,095	\$ 26,069
Colby Howe Fund	<u>23,649</u>	<u>23,626</u>
Total	<u>\$ 49,744</u>	<u>\$ 49,695</u>

Endowment funds 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.

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 endowment fund, (b) the original value of subsequent gifts to the endowment fund, and (c) accumulations to the endowment fund 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 is classified as net assets with donor restrictions 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

Big Brothers Big Sisters of the Bay Area, Inc.
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 15 - ENDOWMENTS (concluded)

Changes in the endowment net position for the year ended June 30, 2020 were as follows:

Endowment net assets, beginning of year	\$ 49,695
Investment return	<u>49</u>
Endowment net assets, end of year	<u><u>\$ 49,744</u></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 net assets with donor restrictions. Deficiencies of this nature result from unfavorable market fluctuations. There were no deficiencies as of June 30, 2020.

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

Restricted cash and cash equivalents	<u><u>\$ 49,744</u></u>
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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 \$35,363 for the year ended June 30, 2020. 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 \$214,621 and \$218,227 for the years ended June 30, 2020 and June 30, 2019, respectively. Minimum future rental payments under non-cancelable operating building leases for each of the next four years in aggregate are:

For the year ended June 30, 2021	\$ 183,971
For the year ended June 30, 2022	191,680
For the year ended June 30, 2023	<u>18,113</u>
Total	<u><u>\$ 393,674</u></u>

Big Brothers Big Sisters of the Bay Area, Inc.
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NOTE 18 - AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of June 30, reduced by amounts not available for general use within one year of the year end date because of contractual or donor-imposed restrictions or internal designations. Amounts not available include amounts set aside for long-term investing in the operating fund and other reserves that could be drawn upon if the governing board approves that action.

	2020	2019
Cash and cash equivalents	\$ 969,337	\$ 958,138
Grants and pledges receivable, net	71,526	260,679
Total financial assets	1,040,863	1,218,817
Donor-imposed restrictions	(70,044)	(373,220)
Board designations	(329,000)	(329,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 641,819	\$ 516,597

NOTE 19 - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) began to spread among various countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including California, declared a state of emergency and issued shelter-in-place orders in response to the outbreak. The immediate impact to the Organization’s operations included restrictions on employees’ and volunteers’ ability to work, and it is anticipated that the impacts from this pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.