

BIG BROTHERS BIG SISTERS OF THE BAY AREA

OAKLAND, CALIFORNIA

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2022

Hiep Pham, CPA Inc.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of the Bay Area
Oakland, California

Opinion

I have audited the accompanying financial statements of Big Brothers Big Sisters of the Bay Area (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my 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 as of June 30, 2022, 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.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Big Brothers Big Sisters of the Bay Area and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of the Bay Area's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Big Brothers Big Sisters of the Bay Area's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of the Bay Area's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Report on Summarized Comparative Information

The financial statements of Big Brothers Big Sisters of the Bay Area as of June 30, 2021, and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated December 17, 2021. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hiep Pham, CPA Inc.

Fremont, California
January 2, 2023

BIG BROTHERS BIG SISTERS OF THE BAY AREA
STATEMENTS OF FINANCIAL POSITION

June 30, 2022

(With Comparative Totals for June 30, 2021)

	2022	2021
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,146,204	\$ 1,329,031
Grants and pledges receivable	192,420	303,074
Prepaid expenses and other current assets	52,294	52,412
Total current assets	1,390,918	1,684,517
Non-current assets:		
Restricted cash and cash equivalents	49,754	49,748
Fixed assets, net of accumulated depreciation	8,757	13,942
Total non-current assets	58,511	63,690
Total assets	\$ 1,449,429	\$ 1,748,207
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,745	\$ 33,212
Accrued payroll	130,269	52,708
Accrued vacation	120,583	116,965
Deferred revenue	2,000	113,600
Notes payable	-	317,888
Total current liabilities	265,597	634,373
Net assets:		
Net assets without donor restrictions	1,028,928	905,986
Net assets with donor restrictions	154,904	207,848
Total net assets	1,183,832	1,113,834
Total liabilities and net assets	\$ 1,449,429	\$ 1,748,207

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
Revenues:				
Public support and grants	\$ 1,118,578	\$ 191,590	\$ 1,310,168	\$ 1,692,171
Special events, net	626,571	-	626,571	663,623
In-kind contributions	177,432	-	177,432	111,946
Gain on extinguishment of debt	318,679	-	318,679	302,683
Other income	1,761	505	2,266	3,956
Net assets released from restrictions	245,039	(245,039)	-	-
Total revenues	<u>2,488,060</u>	<u>(52,944)</u>	<u>2,435,116</u>	<u>2,774,379</u>
Expenses:				
Program services:				
Mentoring	1,690,968	-	1,690,968	1,639,614
Total program services	<u>1,690,968</u>	<u>-</u>	<u>1,690,968</u>	<u>1,639,614</u>
Support services:				
Management and general	253,681	-	253,681	202,404
Fundraising	420,469	-	420,469	427,103
Total supportive services	<u>674,150</u>	<u>-</u>	<u>674,150</u>	<u>629,507</u>
Total expenses	<u>2,365,118</u>	<u>-</u>	<u>2,365,118</u>	<u>2,269,121</u>
Change in net assets	122,942	(52,944)	69,998	505,258
Net assets, beginning of period	<u>905,986</u>	<u>207,848</u>	<u>1,113,834</u>	<u>608,576</u>
Net assets, end of period	<u>\$ 1,028,928</u>	<u>\$ 154,904</u>	<u>\$ 1,183,832</u>	<u>\$ 1,113,834</u>

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	<u>Support Services</u>			Subtotal Support Services	Total 2022	Total 2021
	Program Services	Management				
	Mentoring	and General	Fundraising			
Expenses:						
Salaries and wages	\$ 1,085,484	\$ 79,718	\$ 253,157	\$ 332,875	\$ 1,418,359	\$ 1,334,865
Payroll taxes	81,153	5,731	18,936	24,667	105,820	98,895
Employee benefits	127,498	19,990	29,584	49,574	177,072	181,974
Awards and gifts	26,600	-	-	-	26,600	19,021
Business fees	3,908	879	8,642	9,521	13,429	30,557
Contract services	4,473	91,722	33,946	125,668	130,141	90,159
In-kind professional services	-	24,015	1,300	25,315	25,315	11,786
Facilities and equipment	234,575	6,723	27,094	33,817	268,392	245,960
In-kind facility rent	32,544	-	-	-	32,544	39,690
Depreciation	4,345	168	672	840	5,185	17,892
Office expenses	23,817	471	27,660	28,131	51,948	84,516
Telephone	23,205	813	3,233	4,046	27,251	32,670
In-kind event tickets	-	-	8,805	8,805	8,805	8,777
Insurance	2,388	20,473	203	20,676	23,064	22,802
Interest expense	-	1,292	-	1,292	1,292	4,075
Travel	5,017	76	1,231	1,307	6,324	190
Meetings and conferences	4,003	381	1,071	1,452	5,455	3,071
Payments to affiliates	31,958	1,229	4,935	6,164	38,122	38,281
Other expenses	-	-	-	-	-	3,940
Total expenses	<u>\$ 1,690,968</u>	<u>\$ 253,681</u>	<u>\$ 420,469</u>	<u>\$ 674,150</u>	<u>\$ 2,365,118</u>	<u>\$ 2,269,121</u>

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2022
(With Comparative Totals for the Year Ended June 30, 2021)

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 69,998	\$ 505,258
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,185	17,892
Gain on extinguishment of debt	(318,679)	(302,683)
Loss on sale of fixed assets	-	3,940
Changes in certain assets and liabilities:		
Grants and pledges receivable	110,654	(231,548)
Prepaid expenses and other current assets	118	93,055
Accounts payable and accrued expenses	(20,467)	15,070
Accrued payroll	77,561	(24,453)
Accrued vacation	3,618	2,106
Deferred revenue	(111,600)	17,375
Net cash provided (used) by operating activities	(183,612)	96,012
Cash flows from investing activities:		
Purchase of fixed assets	-	(6,151)
Net cash provided (used) by investing activities	-	(6,151)
Cash flows from financing activities:		
Proceeds from line of credit	-	100,000
Payments on line of credit	-	(100,000)
Proceeds from notes payable	791	319,581
Net cash provided (used) by financing activities	791	319,581
Net increase (decrease) in cash	(182,821)	409,442
Cash, beginning of period	1,378,779	969,337
Cash, end of period	\$ 1,195,958	\$ 1,378,779
Summary of cash and cash equivalents at end of period:		
Cash and cash equivalents	\$ 1,146,204	\$ 1,329,031
Restricted cash and cash equivalents	49,754	49,748
Total cash and cash equivalents at end of period	\$ 1,195,958	\$ 1,378,779
Supplemental disclosures of cash flow information:		
Interest paid	\$ -	\$ 1,194

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

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 1 - GENERAL

A. Organization

Big Brothers Big Sisters of the Bay Area (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. Program Services

Community-Based Mentoring - Provides professionally supported one-to-one mentoring relationships between screened adult mentors with enrolled children from age's 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.

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. Contributions are recognized at their fair market value as revenues in the period received.

B. Basis of Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 and the provisions of the American Organization of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations*. 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.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation (concluded)

Net Assets with Donor Restrictions - Net assets are 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. 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.

D. 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, 2022, a valuation allowance was not considered necessary.

E. Fixed Assets

Property and equipment are recorded at cost when purchased or, if contributed, at the estimated fair market value at the date of donation. The Organization's policy is to capitalize items costing more than \$5,000. Any impaired assets will be written down to their actual value. Depreciation is computed using the straight-line method over the asset's estimated useful life. Expenditures for maintenance and repairs are charged to expenses as incurred.

F. Deferred Revenue

Deferred revenue represents funds received in advance for special events to be held in subsequent months.

G. Grants

Grants awarded by government agencies or passed through to the Organization from another donor that received funding from the government agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes. Revenue is recognized when qualified expenditures are incurred and conditions under the grant agreement are met.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Contributions

Contributions represent donations to the Organization from private organizations and individuals, and are recognized as support when received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

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. Revenue Recognition

Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with Topic 606.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

J. Donated Goods and Services

In-kind contributions 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 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. Volunteers also provided services that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Functional 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.

L. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents.

The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments; and money market funds. At times, such amounts might exceed Federal Deposit Insurance Corporation (FDIC) limits.

M. Contingencies

The Organization participates in numerous grants. Disbursement of funds received under these grants requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

N. 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.

O. 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.

P. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 2, 2023, the date the financial statements were available to be issued.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Q. 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 Big Brothers Big Sisters of the Bay Area's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

R. Implementation of Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations through enhancements to presentation and disclosure. ASU No. 2020-07 was issued to address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profits, as well as the amount of those contributions used in an entity's programs and other activities. The Organization adopted the standards on July 1, 2021. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

S. 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, 2021, 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 foundation" within the meaning of Section 509(a) of the Code.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 3 - INCOME TAXES (concluded)

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, 2022. 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 are as follows:

	<u>2022</u>	<u>2021</u>
First Republic Bank	\$ 538,568	\$ 538,496
Wells Fargo Bank	607,436	790,135
Petty cash	<u>200</u>	<u>400</u>
Total	<u>\$ 1,146,204</u>	<u>\$ 1,329,031</u>
Restricted: Charles Schwab	<u>\$ 49,754</u>	<u>\$ 49,748</u>

The account balances were insured under the \$250,000 blanket umbrella by the Federal Deposit Insurance Corporation (FDIC). The remaining 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 financial institutions is not of particular concern at this time.

NOTE 5 - FIXED ASSETS

Fixed assets as of June 30 are as follows:

	<u>Years</u>	<u>2022</u>	<u>2021</u>
Land	N/A	\$ 2,000	\$ 2,000
Computer and office equipment	5	62,989	62,989
Furniture and fixtures	3-7	39,585	39,585
Software	3	<u>40,199</u>	<u>40,199</u>
Total		144,773	144,773
Less accumulated depreciation		<u>(136,016)</u>	<u>(130,831)</u>
Fixed assets, net		<u>\$ 8,757</u>	<u>\$ 13,942</u>

Depreciation expense was \$5,185 and \$17,892 for the years ended June 30, 2022 and June 30, 2021, respectively.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 6 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$120,583 and \$116,965 as of June 30, 2022 and June 30, 2021, respectively.

NOTE 7 - NOTES PAYABLE

1st Round of PPP Loan

In April 2020, the Organization received an SBA Paycheck Protection Program (PPP) loan through First Republic Bank in the amount of \$300,500 to fund the Organization's 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 beginning November 2020 through April 2022. However, the PPP loan was forgiven in November 2020 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. At June 30, 2021, the full amount of \$302,683 (\$300,500 principal and \$2,183 interest) has been recognized as a gain on extinguishment of debt in the Statement of Activities.

2nd Round of PPP Loan

In February 2021, the Organization received an SBA Paycheck Protection Program (PPP) loan through First Republic Bank in the amount of \$316,700 to fund the Organization's 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 \$13,336 beginning August 2021 through February 2023. However, the PPP loan was forgiven in October 2021 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. At June 30, 2022, the full amount of \$318,679 (\$316,700 principal and \$1,979 interest) has been recognized as a gain on extinguishment of debt in the Statement of Activities.

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, 2022. The line of credit was not renewed. The line of credits accrue interest at the bank's commercial rate which was 2.25% and 4.25% at June 30, 2022 and June 30, 2021, respectively. As of June 30, 2022 and June 30, 2021, there were no balances on the line of credit. Total interest paid on the line of credit was \$0 and \$1,194 for the years ended June 30, 2022 and June 30, 2021, respectively.

BIG BROTHERS BIG SISTERS OF THE BAY AREA
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2022

NOTE 9 - SPECIAL EVENTS, NET

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

<u>2022</u>	<u>GALA</u>	<u>P2P</u>	<u>Golf Tournaments</u>	<u>Total</u>
Contributions and sponsorships	\$ 412,621	\$ 24,067	\$ 215,791	\$ 652,479
Ticket and auction sales	<u>85,880</u>	<u>-</u>	<u>75,530</u>	<u>161,410</u>
Gross revenue	498,501	24,067	291,321	813,889
Less expenses	<u>(99,789)</u>	<u>(673)</u>	<u>(86,856)</u>	<u>(187,318)</u>
Special events, net	<u>\$ 398,712</u>	<u>\$ 23,394</u>	<u>\$ 204,465</u>	<u>\$ 626,571</u>
<u>2021</u>	<u>Virtual GALA</u>	<u>P2P</u>		<u>Total</u>
Contributions and sponsorships	\$ 601,129	\$ 41,419		\$ 642,548
Ticket and auction sales	<u>106,650</u>	<u>-</u>		<u>106,650</u>
Gross revenue	707,779	41,419		749,198
Less expenses	<u>(85,575)</u>	<u>-</u>		<u>(85,575)</u>
Special events, net	<u>\$ 622,204</u>	<u>\$ 41,419</u>		<u>\$ 663,623</u>

NOTE 10 - IN-KIND CONTRIBUTIONS - CONTRIBUTED NONFINANCIAL ASSETS

For the years ended June 30, contributed nonfinancial assets recognized within revenue included:

	<u>2022</u>	<u>2021</u>
Professional services	\$ 25,315	\$ 11,786
Facility rent	32,544	39,690
Event tickets	8,805	8,777
Auction items	<u>110,768</u>	<u>51,693</u>
Total	<u>\$ 177,432</u>	<u>\$ 111,946</u>

The Organization received contributed nonfinancial assets within revenue, including contributed professional services, facility rent, and auction items. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Professional Services

Contributed professional services recognized comprise of outside services from legal, real estate and marketing services which would be normally paid for by the Organization. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

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NOTE 10 - IN-KIND CONTRIBUTIONS - CONTRIBUTED NONFINANCIAL ASSETS (concluded)

Facility Rent

The Sobrato Foundation allows the Organization to use office space on the Foundation's property rent-free. The Organization estimates the fair value on the basis of recent comparable rental prices of the contributed rent and utilities. Rent usage was allocated to program services.

Event Tickets

The Organization estimated the fair value of tickets for sporting events, concerts, plays, and admissions on the basis of estimates of ticket value that the Organization would purchase on the market.

Auction Items

The Organization estimated the fair value of the auction items on the basis of estimates of wholesale values that would be received for selling similar products. Contributed auction items were utilized in the GALA, P2P and Golf Tournaments as referenced in Note 9.

NOTE 11 - PAYMENTS TO AFFILIATES

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, 2022 and June 30, 2021 was \$38,122 and \$38,281, respectively.

NOTE 12 - RETIREMENT 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 13 - LEASE COMMITMENT

The Organization leases office space in San Francisco, Napa and Oakland under operating leases expiring in August 2026.

- In May 2017, the Organization signed a 60-month lease for office space in San Francisco expiring in July 2022. The monthly rent for the San Francisco office at June 30, 2022 was \$15,366.
- In August 2020, the Organization renewed their agreement for a 24-month lease for office space in Napa expiring in August 2022. The monthly rent for the Napa office at June 30, 2022 was \$2,500.
- In May 2022, the Organization signed a 52-month lease for office space in Oakland expiring in August 2026. The monthly rent for the Oakland office at June 30, 2022 was \$4,932.

The Organization receives in-kind office space in Milpitas. The Organization recognizes an in-kind facility donation for the difference between the facility's fair market value and the monthly fee in the total amount of \$32,544 for the year ended June 30, 2022.

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NOTE 13 - LEASE COMMITMENT (concluded)

The total expenses for occupancy were \$250,569 and \$233,006 for the years ended June 30, 2022 and June 30, 2021, respectively.

Future minimum lease payments under these agreements are as follows:

<u>Year Ending June 30</u>	
2023	\$ 93,753
2024	76,633
2025	78,741
2026	79,804
2027	<u>13,300</u>
Total	<u>\$ 342,231</u>

NOTE 14 - NET ASSETS WITHOUT DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Net assets without donor restrictions - undesignated	\$ 695,540	\$ 572,813
Net assets without donor restrictions - board designated	<u>333,388</u>	<u>333,173</u>
Total	<u>\$ 1,028,928</u>	<u>\$ 905,986</u>

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

NOTE 15 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>Beginning Balance 6/30/21</u>	<u>Contributions and Earnings</u>	<u>Releases</u>	<u>Ending Balance 6/30/22</u>
Subject to Expenditure for Specified Purpose				
Community-based mentoring projects	\$ 158,100	\$ 191,590	\$ (244,540)	\$ 105,150
Subject to Spending Policy & Appropriated				
Endowment funds	<u>49,748</u>	<u>505</u>	<u>(499)</u>	<u>49,754</u>
Total	<u>\$ 207,848</u>	<u>\$ 192,095</u>	<u>\$ (245,039)</u>	<u>\$ 154,904</u>

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 For the Year Ended June 30, 2022

NOTE 16 - ENDOWMENT FUNDS

Endowment funds as of June 30 were as follows:

	2022	2021
JJ Campership Fund	\$ 26,100	\$ 26,097
Colby Howe Fund	23,654	23,651
Total	\$ 49,754	\$ 49,748

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 17 - 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.

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NOTE 17 - ENDOWMENTS (concluded)

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 assets for the year ended June 30 were as follows:

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of period	\$ 49,748	\$ 49,744
Investment return, net	505	4
Releases from restrictions	<u>(499)</u>	<u>-</u>
Endowment net assets, end of period	<u>\$ 49,754</u>	<u>\$ 49,748</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, 2022 and June 30, 2021.

The endowment net assets is presented in the Statement of Financial Position as follows:

	<u>2022</u>	<u>2021</u>
Restricted cash and cash equivalents	<u>\$ 49,754</u>	<u>\$ 49,748</u>

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 and other reserves that could be drawn upon if the governing board approves that action.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,195,958	\$ 1,378,779
Grants and pledges receivable	<u>192,420</u>	<u>303,074</u>
Total financial assets	1,388,378	1,681,853
Donor-imposed restrictions	(154,904)	(207,848)
Board designations	<u>(333,388)</u>	<u>(333,173)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 900,086</u>	<u>\$ 1,140,832</u>

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NOTE 19 - CONTINGENCY - CORONAVIRUS PANDEMIC

In December 2019, the outbreak of the 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 the pandemic will continue for some time. As of the report date, the financial impact of the coronavirus outbreak cannot be measured.

NOTE 20 - RECLASSIFICATIONS

Certain amounts in the June 30, 2021 financial statements have been reclassified to conform to the June 30, 2022 presentation. These reclassifications have no effect on the change in net assets as previously reported.