

**BIG BROTHERS BIG SISTERS
OF SAN DIEGO COUNTY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.

	<u>Pages</u>
I Index	1
II Independent auditor's report	2 - 3
III Statements of financial position	4
IV Statements of activities and changes in net assets	5 - 6
V Statements of functional expenses	7 - 8
VI Statements of cash flows	9
VII Notes to the financial statements	10 – 23

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of San Diego County, Inc.

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of San Diego County (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of San Diego County as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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.

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 San Diego County'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

Our 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 our 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, we:

- 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 San Diego County'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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of San Diego County's ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Considine & Considine

CONSIDINE & CONSIDINE
An accountancy corporation

September 15, 2023

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

Page 4

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,865,518	\$ 1,937,886
Investments (note 5)	726,317	-
Grant receivable	84,693	-
Pledges receivable (note 3)	44,038	187,538
Prepaid expenses	27,212	20,559
Other current assets	8,668	9,296
	2,756,446	2,155,279
FIXED ASSETS		
Property and equipment (note 7)	11,400	20,683
OTHER ASSETS		
Operating lease right-of-use asset (note 8)	257,062	-
Pledges receivable - long term (note 3)	10,000	20,000
Beneficial interests in foundations (note 4 and 5)	76,139	83,298
Beneficial interest in endowment funds (note 6)	3,085	2,948
	346,286	106,246
TOTAL ASSETS	3,114,132	2,282,208
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 9)	139,784	124,362
Operating lease liability - current portion (note 8)	137,880	-
PPP loan (note 10)	-	368,698
	277,664	493,060
LONG-TERM LIABILITIES		
Operating lease liability (note 8)	144,442	-
TOTAL LIABILITIES	422,106	493,060
NET ASSETS (note 16)		
Without donor restrictions	2,638,918	1,785,317
With donor restrictions	53,108	3,831
TOTAL NET ASSETS	2,692,026	1,789,148
TOTAL LIABILITIES AND NET ASSETS	\$ 3,114,132	\$ 2,282,208

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2022

Page 5

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:			
Contributions	\$ 744,806	\$ -	\$ 744,806
Special events, net of direct benefits to donors of \$258,055 (note 15)	1,116,705	-	1,116,705
Grants (note 14)	380,850	253,793	634,643
Unrealized loss on beneficial interests in foundations	(7,159)	-	(7,159)
Net investment return	19,502	-	19,502
TOTAL SUPPORT AND REVENUE	2,254,704	253,793	2,508,497
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	204,516	(204,516)	-
OPERATING EXPENSES			
Program services	1,737,346	-	1,737,346
Management and general	207,326	-	207,326
Fundraising expenses	330,463	-	330,463
	<u>2,275,135</u>	<u>-</u>	<u>2,275,135</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME	184,085	49,277	233,362
OTHER INCOME (EXPENSE)			
PPP loan forgiveness (note 11)	368,698	-	368,698
Employee retention credit (note 12)	304,546	-	304,546
Loss on disposal of assets	(3,728)	-	(3,728)
	<u>669,516</u>	<u>-</u>	<u>669,516</u>
CHANGE IN NET ASSETS	853,601	49,277	902,878
NET ASSETS, BEGINNING	<u>1,785,317</u>	<u>3,831</u>	<u>1,789,148</u>
NET ASSETS, ENDING	<u><u>\$ 2,638,918</u></u>	<u><u>\$ 53,108</u></u>	<u><u>\$ 2,692,026</u></u>

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2021

Page 6

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:			
Contributions	\$ 1,279,438	\$ 40,000	\$ 1,319,438
Special events, net of direct benefits to donors of \$142,703 (note 15)	1,215,300	-	1,215,300
Grants (note 14)	38,000	200,000	238,000
Unrealized gain on beneficial interests in foundations	5,897	-	5,897
Net investment return	<u>(694)</u>	<u>-</u>	<u>(694)</u>
TOTAL SUPPORT AND REVENUE	2,537,941	240,000	2,777,941
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	282,831	(282,831)	-
OPERATING EXPENSES			
Program services	1,476,321	-	1,476,321
Management and general	174,146	-	174,146
Fundraising expenses	<u>323,036</u>	<u>-</u>	<u>323,036</u>
	<u>1,973,503</u>	<u>-</u>	<u>1,973,503</u>
CHANGE IN NET ASSETS BEFORE OTHER INCOME	847,269	(42,831)	804,438
OTHER INCOME			
PPP loan forgiveness (note 11)	<u>305,565</u>	<u>-</u>	<u>305,565</u>
CHANGE IN NET ASSETS	1,152,834	(42,831)	1,110,003
NET ASSETS, BEGINNING	<u>632,483</u>	<u>46,662</u>	<u>679,145</u>
NET ASSETS, ENDING	<u><u>\$ 1,785,317</u></u>	<u><u>\$ 3,831</u></u>	<u><u>\$ 1,789,148</u></u>

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Page 7

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES:				
Advertising and recruiting	\$ 28,130	\$ -	\$ -	\$ 28,130
Bad debt expense	-	5,000	750	5,750
Bank and credit card fees	53	3,133	9,770	12,956
Conferences and meetings	445	5,155	-	5,600
Depreciation	-	5,555	-	5,555
Dues - National	34,335	1,333	3,528	39,196
Equipment rental and maintenance	6,765	507	666	7,938
Fundraising costs	-	-	11,736	11,736
Information and technology	33,118	4,358	3,826	41,302
Insurance	25,657	3,426	4,277	33,360
Office expense	18,981	34,007	1,117	54,105
Program expense	47,637	-	-	47,637
Professional services	104,119	83,197	-	187,316
Lease cost	114,422	9,139	19,075	142,636
Salaries	1,309,430	51,754	223,145	1,584,329
Travel	6,885	476	948	8,309
Utilities	7,369	286	757	8,412
Expenses before special events	<u>1,737,346</u>	<u>207,326</u>	<u>279,595</u>	<u>2,224,267</u>
Special events				
Food and beverage	-	-	152,265	152,265
Facilities and venue	-	-	134,197	134,197
Other event costs	-	-	22,461	22,461
	-	-	<u>308,923</u>	<u>308,923</u>
Costs of direct benefits to donors at special events	-	-	<u>(258,055)</u>	<u>-</u>
	-	-	<u>50,868</u>	<u>50,868</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 1,737,346</u>	<u>\$ 207,326</u>	<u>\$ 330,463</u>	<u>\$ 2,275,135</u>
Percentage of total	76%	9%	14%	100%

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES:				
Advertising and recruiting	\$ 4,988	\$ -	\$ -	\$ 4,988
Bad debt expense	-	-	5,675	5,675
Bank and credit card fees	1,002	3,176	10,480	14,658
Conferences and meetings	1,503	610	-	2,113
Depreciation	-	14,066	-	14,066
Dues - National	31,886	1,238	3,276	36,400
Equipment rental and maintenance	7,350	505	763	8,618
Fundraising costs	45	-	508	553
Information and technology	32,591	4,020	3,416	40,027
Insurance	20,138	5,725	2,735	28,598
Interest expense	-	804	-	804
Office expense	17,515	32,606	4,273	54,394
Program expense	11,963	8,270	14	20,247
Professional services	55,034	19,034	27,731	101,799
Lease cost	109,629	15,122	17,225	141,976
Salaries	1,174,612	68,762	123,901	1,367,275
Travel	2,712	-	562	3,274
Utilities	5,353	208	550	6,111
	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before special events	1,476,321	174,146	201,109	1,851,576
Special events				
Facilities and venue	-	-	114,792	114,792
Food and beverage	-	-	97,506	97,506
Other event costs	-	-	52,332	52,332
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	264,630	264,630
Costs of direct benefits to donors at special events	-	-	(142,703)	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	121,927	121,927
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL FUNCTIONAL EXPENSES	\$ 1,476,321	\$ 174,146	\$ 323,036	\$ 1,973,503
	<hr/>	<hr/>	<hr/>	<hr/>
Percentage of total	76%	9%	15%	100%

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Page 9

	2022	2021
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 902,878	\$ 1,110,003
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Depreciation	5,555	14,066
Amortization of operating lease	25,260	-
PPP loan forgiveness	(368,698)	(305,565)
Unrealized loss/(gain) from beneficial interest in foundations	7,159	-
Unrealized (gain) from Investments	(3,242)	(5,897)
Loss on disposal of fixed asset	3,728	-
Loss on write down of pledge receivable	5,750	5,675
Changes in operating assets and liabilities:		
Pledges receivable	147,750	43,821
Prepaid expenses and other current assets	(6,653)	56,090
Grant receivable	(84,693)	-
Other current assets	628	-
Beneficial interest in the SDF endowment funds	(137)	(147)
Deferred revenue	-	(25,000)
Accounts payable and accrued expenses	15,422	11,227
	(252,171)	(205,730)
NET CASH PROVIDED BY OPERATING ACTIVITIES	650,707	904,273
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	-	(6,688)
Purchase of investments	(723,075)	-
	(723,075)	(6,688)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Net decrease on line of credit	-	(43,978)
Proceeds on PPP loan	-	368,698
	-	324,720
NET INCREASE/(DECREASE) IN CASH	(72,368)	1,222,305
CASH, BEGINNING OF YEAR	1,937,886	715,581
CASH, END OF YEAR	\$ 1,865,518	\$ 1,937,886
Supplemental disclosures:		
Interest paid	\$ -	\$ 804
Taxes paid	\$ -	\$ -
See note 8 for cash flow transactions related to operating lease		

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 10

NOTE 1 THE ORGANIZATION

Big Brothers Big Sisters of San Diego County, Inc. (the Organization) is a non-profit organization dedicated to helping children by creating and supporting one-to-one mentoring relationships with proven results. Funds for the Organization's operations are raised primarily through contributions from private donors, sponsors and special events.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements are prepared using the accrual method of accounting in conformity with generally accepted accounting principles in the United States of America (GAAP).

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Basis of presentation – Under accounting standards on Financial Statements of non-profit Organizations, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions – Net assets with donor restrictions consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Cash and cash equivalents – The Organization considers all highly liquid investments available with a maturity date of three months or less to be cash equivalents. The Organization restricts investments of cash to financial institutions of high credit standing. The accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash equivalent funds are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. The Organization has not experienced any loss in such accounts. As of December 31, 2022 and 2021, the uninsured balance is approximately \$77,000 and \$389,000, respectively. The Organization believes it is not exposed to any significant credit risks on its cash balances.

Pledges receivable - The pledges receivable consist of donor promises to give and reimbursement grants. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. As of December 31, 2022 and 2021, management considers all pledges collectible.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 11

A discount on pledges receivable expected to be received over several years are computed using risk free interest rates applicable to the years in which the pledges are received. Amortization of the discount is included in donations revenue on the statements of activities and changes in net assets.

Property and equipment – Property and equipment are carried at cost when purchased or, if contributed, at the estimated fair market value at the date of donation. Donated property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of three to fifteen years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Investments – The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Beneficial interests in foundations – Beneficial interests in foundations are valued at their fair values on the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Fair value measurements – The Organization follows accounting standards consistent with the Financial Accounting Standards Board (FASB) codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Revenue recognition – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met.

Deferred Revenue - Revenues received in advance of a special event are deferred. The revenues are recognized when the event occurs.

Donor-imposed restrictions – All contributions are considered to be without donor restrictions unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purpose are reported as with donor restrictions, increasing that net asset class. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

fulfilled in the same fiscal period in which the contribution is received, the support is reported as with donor restrictions and a release from restriction. Investment income that is limited to specific uses by donor restrictions is reported as increases in net assets with donor restrictions until the restriction is fulfilled.

Donated goods and services – The Organization has received substantial donations of goods, entertainment, food, beverage, and professional services. The Organization records donated goods with a fair value of \$2,000 or more as contributions. In addition, the Organization recognizes the value of donated services by recording the donations at fair value. All donated services recognized create a non-financial asset or required specialized skills that would have been purchased if not donated.

	2022	2021
Marketing	\$ 12,500	\$ -
Event prizes	9,637	678
Event tickets	7,330	15,972
Professional	5,510	3,341
Other	5,008	900
	\$ 39,985	\$ 20,891

Dues to Big Brothers Big Sisters of America – Dues are payable to the Organization’s National Affiliate (National). The calculation is based on a variable percentage of the prior year’s adjusted expenditures.

Functional allocation of expenses - The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising costs – The Organization expenses advertising costs when incurred.

Income taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, no provision has been made for federal income taxes in the accompanying financial statements.

The Organization follows accounting standards which clarify the accounting for uncertainty in income taxes recognized in the financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or to be taken in a tax return. As of December 31, 2022 and 2021, the Organization has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns with the Internal Revenue Service and the California Franchise Tax Board.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 13

Recent Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02 *Leases* (Topic 842). In July 2018, FASB issued two updates to ASU 2016-02, ASU 2018-10, Codification Improvements to Topic 842 *Leases*, and ASU 2018-11, *Leases* (Topic 812): Targeted Improvements. The new standard is effective for fiscal years beginning after December 18, 2021. The Organization adopted Topic 842 as of January 1, 2022 by recognizing and measuring leases at the adoption date with cumulative effect of initially applying the guidance recognized at the date of the initial application and as a result did not restate the prior periods presented in the financial statements. The Organization elected certain practical expedients permitted under the transitional guidance, including retaining historical lease classification, evaluating whether any expired contracts are or contain leases, and not applying hindsight in determining the lease term. Lastly, the Organization elected the short-term lease exception for all classes of assets, and therefore does not apply the recognition requirements for leases of 12 months or less.

The Organization categorizes long-term leases as either operating or finance. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset of its estimated life. The Organization had no finance leases at December 31, 2022.

Leases with a term greater than one year are recognized on the statement of financial position as right-of-use (ROU) assets and short-term and long-term lease liabilities, as applicable. Leases with a term greater than one year are recognized on the consolidated statement of financial position as right-of-use (ROU) assets and short-term and long-term lease liabilities, as applicable. Lease liabilities are measured at the lease commencement date as the present value of the future lease payments using the interest rate implicit in the lease. If the rate implicit is not readily determinable, the Organization utilizes the treasury yield rate to discount lease payments. The lease term is the non-cancellable period of the lease and includes options to extend or terminate the lease when it is reasonably certain that an option will be exercised. For finance leases, the Organization will recognize depreciation expense associated with the leased asset acquired and recognize interest expense related to the portion of the financing in the consolidated statement of activities. The adoption had no material impact on the 2022 financial statements.

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 improves transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit entities. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard is applied on a retrospective basis. The adoption had no effect on the 2022 financial statements.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2022	2021
Gross pledges receivable	\$ 54,038	\$ 207,538
Less: unamortized discount	-	-
Less: reserve for uncollected	-	-
Pledges receivable, net	\$ 54,038	\$ 207,538
Amounts due:		
Within one year	\$ 44,038	\$ 187,538
Within two years	10,000	10,000
Within three years	-	10,000
Within four years	-	-
Pledges receivable, net	\$ 54,038	\$ 207,538

On an ongoing basis the Organization evaluates pledges based on facts and circumstances surrounding the gift and communication with its donors. During 2022 and 2021, management determined certain pledges to be uncollectible. Bad debt expense for the years ended December 31, 2022 and 2021 was \$5,750 and \$5,675, respectively.

An allowance for uncollectible pledges receivable has not been set up because the Organization's management considers all remaining pledge receivables to be collectible.

NOTE 4 BENEFICIAL INTERESTS IN FOUNDATIONS

In 2008, the Organization invested \$25,000 in an endowment fund with the Jewish Community Foundation of San Diego. The investment will be held in perpetuity with the Jewish Community Foundation of San Diego and all distributions from the investment may be used at the discretion of the Organization.

In 2008, the Organization invested \$25,000 in an endowment fund with the Rancho Santa Fe Foundation. The investment will be held in perpetuity with the Rancho Santa Fe Foundation and all distributions from the investment may be used at the discretion of the Organization.

NOTE 5 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value at December 31, 2022 and 2021 are classified in the following schedules in one of three categories described above.

The table below presents the balances of assets measured at fair value as of December 31, 2022 on a recurring basis:

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	\$ -	\$ -	\$ 25,599	\$ 25,599
Beneficial interest in Rancho Santa Fe endowment fund	-	-	50,540	50,540
U.S. treasury notes	<u>726,317</u>	<u>-</u>	<u>-</u>	<u>726,317</u>
	<u>\$ 726,317</u>	<u>\$ -</u>	<u>\$ 76,139</u>	<u>\$ 802,456</u>

The table below presents the balances of assets measured at fair value as of December 31, 2021 on a recurring basis:

Assets	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in Jewish Community Foundation of San Diego endowment fund	\$ -	\$ -	\$ 25,398	\$ 25,398
Beneficial interest in Rancho Santa Fe endowment fund	-	-	57,900	57,900
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,298</u>	<u>\$ 83,298</u>

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Investments in the U.S. treasury notes are measured at market prices in active markets and are classified level 1.

The investments in the Jewish Community Foundation of San Diego foundation endowment fund and the Rancho Santa Fe endowment fund are measured using values provided by these foundations. The values are based on the fair market value of the underlying cash, securities and other investments. Although the Organization classifies its investments in each foundation as Level 3, the investments held in each foundation are comprised of Level 1, 2, and 3 investments as reported by each foundation.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no changes in the methods used to measure fair value at December 31, 2022 and 2021.

The Organization's policy is to recognize transfers of investments into and out of level 3 as of the date of the event or change in circumstances that caused the transfer. For the years ended December 31, 2022 and 2021, there were no significant transfers of investments into or out of level 3.

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2022:

Balance at December 31, 2021	\$ 83,298
Change in value	(7,159)
Distribution	-
Balance at December 31, 2022	\$ 76,139

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2021:

Balance at December 31, 2020	\$ 77,401
Change in value	5,897
Distribution	-
Balance at December 31, 2021	\$ 83,298

NOTE 6 BENEFICIAL INTEREST IN ENDOWMENT

The San Diego Foundation (SDF) maintains two endowment funds for the benefit of the Organization. Under the terms of the agreement, distributions of principal and interest from the fund are at the discretion of SDF and administrative fees are charged annually in an amount which is the greater of \$100 per fund or 0.5% - 2% of the fair value of the respective fund as of June 30th each year.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 17

When the endowment funds were established, the Organization granted variance power to SDF and gives SDF the right to distribute the investment income to another non-profit organization of its choice if the Organization ceases to exist or if the governing board of SDF votes that support of the Organization (a) is no longer necessary or (b) is inconsistent with the needs of the San Diego community.

At December 31, 2022 and 2021, the distributable balance receivables in SDF totaled \$3,085 and \$2,948, respectively, which is reported in the statement of financial position as beneficial interest in endowment funds. During 2022 and 2021, the Organization received \$5,983 in distributions from the two endowment funds.

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2022	2021
Office equipment	\$ 87,039	\$ 88,260
Furniture and fixtures	28,525	40,770
	115,564	129,030
Accumulated depreciation	\$ (104,164)	(108,347)
	\$ 11,400	\$ 20,683

Depreciation expense was \$5,555 and \$14,066 for the years ended December 31, 2022 and 2021, respectively.

NOTE 8 LEASES

Operating Lease

The Organization leases its office under operating lease with 4 year terms. The lease is scheduled to end on December 31, 2024. The exercise of the renewal option is at the sole discretion of the Company, and only lease options that the Company believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

Supplemental cash flow information related to the operating lease for the year ended December 31, 2022 is as follows:

Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 392,786
Cash paid for amounts included in the measurement of operating lease liabilities:	
Operating cash flows for operating leases	\$ 138,461

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Weighted average lease term and discount rate as of December 31, 2022 were as follows:

Weighted average remaining lease term	2 years
Weighted average discount rate	1.67%

Lease cost for the year ended December 31, 2022 consisted of the following:

Operating lease cost	\$ 142,636
----------------------	------------

Rent expense was approximately 141,000 for the year ended December 31, 2021 .

Future minimum undiscounted lease payments related to the operating lease liability for the years ended December 31 are as follows:

	2023	\$ 137,880
	2024	<u>144,442</u>
Total minimum lease payments		<u><u>\$ 282,322</u></u>

NOTE 9 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	2022	2021
Accrued vacation	\$ 55,520	\$ 59,845
Accrued payroll expenses	53,515	43,425
Other accrued expenses	<u>30,749</u>	<u>21,092</u>
	<u><u>\$ 139,784</u></u>	<u><u>\$ 124,362</u></u>

NOTE 10 LINE OF CREDIT

The Organization has a line of credit of \$100,000 with Wells Fargo Bank that is collateralized by substantially all of the assets of the Organization. The interest rate is variable and at December 31, 2022 and 2021, was 5.25%. At December 31, 2022 and 2021, the Organization had a balance of \$0. The line of credit remains active as long as the account is in good-standing. Interest expense related to the line is \$0 and \$804 for the years ended December 31, 2022 and 2021, respectively.

NOTE 11 PPP LOAN

On April 27, 2020, the Organization entered into note payable agreement with Self-Help Federal Credit Union Bank for \$305,565, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. On April, 27, 2021, the Organization received an approval letter from the Small Business Administration, stated that their PPP loan had been fully forgiven.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 19

In April 20, 2021, the Organization received a second round of PPP and entered into a note payable agreement with Self-Help Federal Credit Union Bank for \$368,698, pursuant to the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The note matures two years from the disbursement date and bears interest at a rate of 1.000% per annum, with the first six months of interest deferred. Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the PPP. The note is subject to forgiveness to the extent proceeds are used for payroll costs, including payments required to continue group health care benefits, and certain rent, utility, and mortgage interest expenses (qualifying expenses), pursuant to the terms and limitations of the PPP. The Organization records the PPP notes as debt on the balance sheet until loan forgiveness is received or the note is paid off. Any loan forgiveness is recorded as other income on the statement of activities and changes in net assets. On June, 21, 2022, the Organization received an approval letter from the Small Business Administration, stated that their PPP loan had been fully forgive

NOTE 12 EMPLOYEE RETENTION CREDIT

The Organization has filed for the Employee Retention Credit (ERC) with the credits totaling \$304,546. Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Organization. As of December 31, 2022, the Organization has received a total refund of \$304,546.

NOTE 13 RETIREMENT PLAN

The Organization maintains a 403(b) plan, which provides employees an opportunity to defer a portion of their compensation through salary reduction. In 2021, the Organization began to match employee contributions. The Organization match begins at 1-year (1000 hours minimum), and matches 50% of employee contribution up to 3% of gross pay. Plan costs consists of nominal administrative fees.

While the Organization expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries

NOTE 14 GRANTS

The Organization receives grants for financial assistance from various government agencies and foundations. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Organization. In the opinion of the Organization's management, no material reimbursement of funds will be required as a result of expenditures allowed.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 20

NOTE 15 SPECIAL EVENTS

Special events revenues and expenses are directly related to fundraising and consist of the following:

	2022	2021
Revenue:		
Gourmet Dinner	\$ 823,408	\$ 712,555
Golf Marathon	294,236	305,191
Golf Jet Away	170,515	243,698
Poker Tournament	44,657	68,374
Third Party Event	22,676	-
General Fundraising	10,279	27,882
Young Professionals Committee	8,989	303
	1,374,760	1,358,003
Expenses:		
Food and beverages	152,265	97,506
Facilities and venue	134,197	114,792
In-kind and other event costs	22,461	52,332
	308,923	264,630
	\$ 1,065,837	\$ 1,093,373

NOTE 16 NET ASSETS

Net assets consist of the following at December 31:

	2022	2021
Without donor restrictions:		
Undesignated and unrestricted	\$ 2,638,918	\$ 1,785,317
With donor restrictions:		
Subject to expenditure for specific purpose:		
Community Mentoring	26,600	-
Capacity Building	26,508	-
Bigs with Badges	-	3,831
	53,108	3,831
	\$ 2,692,026	\$ 1,789,148

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or events specified by donors during fiscal years ended December 31 are as follows:

	2022	2021
Purpose restrictions accomplished:		
Cal VIP Grant	\$ 84,693	\$ -
Capacity Building	70,492	-
Operation Bigs	45,500	190,000
Bigs with Badges	3,831	48,451
Big Futures	-	27,472
Juvenile Justice and Delinquency Program	-	16,748
Ayana	-	160
	\$ 204,516	\$ 282,831

NOTE 17 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions with donor restrictions. Contributions and expenses are monitored on a monthly basis by the Organization’s management and a committee of the Board of Directors. The level of assets are monitored on an annual basis. The Organization’s long-term strategic goals are to achieve six (6) months or more of expenses in Reserves. The Organization has established unrestricted reserve funds to be used as an Operating Reserve and a Risk & Opportunity Reserve. The Organization will utilize its best efforts to maintain a minimum of three (3) months of expenses as an Operating Reserve and at least three (3) months of expenses as a Risk and Opportunity Reserve, as defined below. Reserves beyond six months of expenses will accrue to the Organization’s investments and be used as Risk & Opportunity Reserves. As of December 31, 2022 and 2021, the Organization has over six months operating expenses available in cash reserves. The Organization continues to build reserve funds for both risk management and growth opportunities.

Operating Reserve – held in cash in the Organization’s checking account(s), used to manage cash flow and ensure sufficient cash on hand to meet monthly operating expenses and/or short term, timing related income shortfalls.

Risk & Opportunity Reserve – held as investments, used to respond to risk or crisis as well as pursue opportunities for growth and innovation. The Risk & Opportunity Reserve may be used to cover cash needs associated with a revenue shortfall or unexpected/unbudgeted expense; new capacity costs associated with growth or expansion; transition costs associated with a new work environment or operating plan; and/or new infrastructure, capital purchases (i.e.; a building, vehicle), equipment and systems associated with growth or change.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

The Organization currently has a line of credit established with a national bank. The line of credit ensures short-term financial ability of the Organization to pay general expenditures.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization manages its liquidity following three guiding principles: operating within a prudent range of financial stewardship and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient funds to provide reasonable assurance that long-term obligations will be discharged.

The following reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2022	2021
Financial assets, at year-end:		
Cash	\$ 1,865,518	\$ 1,937,886
Investments	726,317	-
Grant receivable	84,693	-
Pledges receivable	54,038	207,538
Total financial assets	2,730,566	2,145,424
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted for specific programs	(53,108)	(3,831)
Restricted by time	(10,000)	(20,000)
Total amounts not available to be used within one year	(63,108)	(23,831)
Financial assets available to meet general expenditures within one year	\$ 2,667,458	\$ 2,121,593

NOTE 18 LEGAL CONTINGENCIES

The Organization is subject to various legal proceedings and claims incurred by non-profit organizations during the normal course of business, the outcomes of which are subject to significant uncertainty. Disclosure of contingency is required if there is a reasonable possibility that a loss has been incurred. The Organization evaluates, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of loss. The Organization anticipates that these matters will not have a material adverse effect on the Organizations financial position or statement of activities at December 31, 2022 and 2021.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTRY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

Page 23

NOTE 19 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 15, 2023, the date which the financial statements were available to be issued. There were no other material subsequent events which affected the amounts or disclosures in the consolidated financial statements.