

**BIG BROTHERS BIG SISTERS  
OF SAN DIEGO COUNTY, INC.  
FINANCIAL STATEMENTS  
DECEMBER 31, 2019 AND 2018**

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of Big Brothers Big Sisters of San Diego County, Inc., a non-profit organization, which comprise the statements of financial position as of December 31, 2019 and 2018, 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.

**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 audits. 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 risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Earning Your Trust Since 1946

**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 San Diego County, Inc. as of December 31, 2019 and 2018, 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.

*Considine & Considine*

CONSIDINE & CONSIDINE  
An accountancy corporation

September 23, 2020

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

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	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 271,015	\$ 203,712
Pledges receivable (note 3)	219,887	109,161
Prepaid expenses	49,116	37,175
Other current assets	10,543	18,474
	550,561	368,522
OTHER ASSETS		
Pledges receivable - long term (note 3)	-	80,562
Property and equipment (note 7)	27,531	42,404
Beneficial interests in foundations (note 4 and 5)	71,368	64,568
Beneficial interest in endowment funds (note 6)	2,791	2,737
	101,690	190,271
TOTAL ASSETS	652,251	558,793
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 8)	139,032	130,993
Line of credit (note 9)	54,303	63,082
TOTAL LIABILITIES	193,335	194,075
NET ASSETS (note 14)		
Without donor restrictions	181,471	246,476
With donor restrictions	277,445	118,242
TOTAL NET ASSETS	458,916	364,718
TOTAL LIABILITIES AND NET ASSETS	\$ 652,251	\$ 558,793

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, 2019**

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 825,016	\$ 600,431	\$ 1,425,447
Special events, net of direct benefits to donors of \$231,003 (note 12)	1,127,868	79,404	1,207,272
Grants (note 11)	18,650	5,000	23,650
Unrealized gain on beneficial interests in foundations	6,800	-	6,800
Net investment income	781	-	781
	<hr/>	<hr/>	<hr/>
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,979,115</b>	<b>684,835</b>	<b>2,663,950</b>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>			
Satisfaction of program restrictions	525,632	(525,632)	-
<b>OPERATING EXPENSES</b>			
Program services	1,758,395	-	1,758,395
Management and general	322,224	-	322,224
Fundraising expenses	489,133	-	489,133
	<hr/>	<hr/>	<hr/>
	<b>2,569,752</b>	<b>-</b>	<b>2,569,752</b>
<b>CHANGE IN NET ASSETS</b>	<b>(65,005)</b>	<b>159,203</b>	<b>94,198</b>
<b>NET ASSETS, BEGINNING</b>	<hr/> <b>246,476</b>	<hr/> <b>118,242</b>	<hr/> <b>364,718</b>
<b>NET ASSETS, ENDING</b>	<hr/> <b>\$ 181,471</b>	<hr/> <b>\$ 277,445</b>	<hr/> <b>\$ 458,916</b>

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, 2018**

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<b>SUPPORT AND REVENUE:</b>			
Contributions	\$ 568,920	\$ 533,639	\$ 1,102,559
Special events, net of direct benefits to donors of \$207,642 (note 12)	1,060,691	107,471	1,168,162
Grants (note 11)	43,857	-	43,857
Unrealized loss on beneficial interests in foundations	(2,488)	-	(2,488)
Net investment income	1,900	-	1,900
	<u>1,672,880</u>	<u>641,110</u>	<u>2,313,990</u>
<b>NET ASSETS RELEASED FROM RESTRICTION</b>			
Satisfaction of program restrictions	693,951	(693,951)	-
<b>OPERATING EXPENSES</b>			
Program services	1,803,110	-	1,803,110
Management and general	279,736	-	279,736
Fundraising expenses	510,531	-	510,531
	<u>2,593,377</u>	<u>-</u>	<u>2,593,377</u>
<b>CHANGE IN NET ASSETS</b>	(226,546)	(52,841)	(279,387)
<b>NET ASSETS, BEGINNING</b>	<u>473,022</u>	<u>171,083</u>	<u>644,105</u>
<b>NET ASSETS, ENDING</b>	<u>\$ 246,476</u>	<u>\$ 118,242</u>	<u>\$ 364,718</u>

See accompanying notes

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

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	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
<b>EXPENSES:</b>				
Advertising and recruiting	\$ 1,798	\$ 153	\$ 331	\$ 2,282
Bad debt expense	-	104,847	-	104,847
Bank and credit card fees	11,227	188	22,547	33,962
Conferences and meetings	811	7,307	694	8,812
Depreciation	-	14,873	-	14,873
Dues - National	24,927	2,220	4,567	31,714
Employee benefits	87,327	12,808	26,543	126,678
Equipment rental and maintenance	-	1,224	-	1,224
Fundraising costs	-	-	435	435
Information and technology	25,406	3,549	4,904	33,859
Insurance	21,385	7,416	4,379	33,180
Interest expense	-	4,461	-	4,461
Office expense	9,977	8,208	3,348	21,533
Payroll taxes	98,276	6,967	23,407	128,650
Program expense	61,723	-	-	61,723
Professional services	10,076	45,220	25,624	80,920
Rent	100,323	9,223	18,465	128,011
Salaries	1,281,429	90,845	305,207	1,677,481
Travel	17,940	915	2,232	21,087
Utilities	5,770	1,800	1,035	8,605
Expenses before special events	1,758,395	322,224	443,718	2,524,337
Special events				
Facilities and venue	-	-	45,415	45,415
Food and beverage	-	-	139,588	139,588
Other event costs	-	-	91,415	91,415
	-	-	276,418	276,418
Costs of direct benefits to donors at special events	-	-	(231,003)	(231,003)
	-	-	45,415	45,415
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 1,758,395</u></b>	<b><u>\$ 322,224</u></b>	<b><u>\$ 489,133</u></b>	<b><u>\$ 2,569,752</u></b>
Percentage of total	69%	13%	18%	100%

See accompanying notes

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES:				
Advertising and recruiting	\$ 1,060	\$ 48	\$ 66	\$ 1,174
Bad debt expense	-	13,780	-	13,780
Bank and credit card fees	19,071	581	4,027	23,679
Conferences and meetings	-	9,872	323	10,195
Depreciation	-	15,259	-	15,259
Dues - National	26,802	-	-	26,802
Employee benefits	80,515	12,532	19,034	112,081
Equipment rental and maintenance	-	1,224	-	1,224
Fundraising costs	-	-	30,574	30,574
Information and technology	39,633	4,292	5,110	49,035
Insurance	21,538	8,832	4,223	34,593
Interest expense	404	4,075	-	4,479
Office expense	13,271	10,183	4,817	28,271
Payroll taxes	104,194	11,304	19,588	135,086
Program expense	68,826	-	-	68,826
Professional services	-	32,974	17,872	50,846
Rent	94,859	10,634	18,483	123,976
Salaries	1,305,783	142,078	277,191	1,725,052
Travel	21,200	126	2,039	23,365
Utilities	5,954	1,942	1,168	9,064
Expenses before special events	<u>1,803,110</u>	<u>279,736</u>	<u>404,515</u>	<u>2,487,361</u>
Special events				
Facilities and venue	-	-	112,825	112,825
Food and beverage	-	-	106,016	106,016
Other event costs	-	-	94,817	94,817
	-	-	<u>313,658</u>	<u>313,658</u>
Costs of direct benefits to donors at special events	-	-	<u>(207,642)</u>	<u>(207,642)</u>
	-	-	<u>106,016</u>	<u>106,016</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u><u>\$ 1,803,110</u></u>	<u><u>\$ 279,736</u></u>	<u><u>\$ 510,531</u></u>	<u><u>\$ 2,593,377</u></u>
Percentage of total	70%	11%	19%	100%

See accompanying notes

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND DECEMBER 31, 2018**

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	2019	2018
CASH FLOWS PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 94,198	\$ (279,387)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES		
Depreciation and amortization	14,873	15,259
Unrealized (gain)/loss from beneficial interests in foundations	(6,800)	2,488
Loss on write down of pledge receivable	95,562	-
Changes in operating assets and liabilities:		
Pledges receivable	(125,726)	302,720
Prepaid expenses	(11,941)	(4,203)
Other current assets	7,931	5,294
Beneficial interest in endowment funds	(54)	(48)
Accounts payable and accrued expenses	8,039	14,429
	(18,116)	335,939
NET CASH PROVIDED BY OPERATING ACTIVITIES	76,082	56,552
CASH FLOWS USED BY FINANCING ACTIVITIES		
Net decrease on line of credit	(8,779)	(9,002)
NET INCREASE IN CASH	67,303	47,550
CASH, BEGINNING OF YEAR	203,712	156,162
CASH, END OF YEAR	\$ 271,015	\$ 203,712
Supplemental disclosures:		
Interest paid	\$ 4,461	\$ 4,479
Taxes paid	\$ -	\$ -

See accompanying notes

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2019 AND 2018**

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**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. At December 31, 2019 and 2018, the Organization had net assets with donor restrictions of \$277,445 and \$118,242, respectively.

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. The Organization has not experienced any loss in such accounts. As of December 31, 2019 and 2018, the uninsured balance is \$0. 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, 2019 and 2018, management considers all pledges collectible.

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

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.

Compensated absences – Employees of the Organization are entitled to paid time off depending on their length of service and other factors. Accrued compensated absences were \$63,461 and \$76,172, as of December 31, 2019 and 2018, respectively.

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.

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 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.

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Donated goods and 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. As of December 31, 2019 and 2018, the value of donated goods and services are \$18,078 and \$92,838, respectively.

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. Advertising expense for the years ended December 31, 2019 and 2018 was \$1,695 and \$1,146, respectively.

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, 2019 and 2018, 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.

**Recent Accounting Pronouncements**

Accounting Standards Update No. 2014-09, 2016-08, 2016-10, 2016-12 and 2016-20, collectively implemented as Financial Accounting Standard Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606 (“ASC 606”) *Revenue from Contracts with Customers*, provides guidance for revenue recognition. This ASC’s core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods or services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer. The new standard permits the use of either the modified retrospective or full retrospective transition method.

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The Organization has performed a review of the new guidance as compared to its current accounting policies, and evaluated all services rendered to its customers as well as underlying contracts to determine the impact of this standard to its revenue recognition process. Upon completion of its review of relevant contracts, the Organization has made a determination that there was not a material impact to fiscal 2019 revenues as a result of applying ASC 606. Additionally, there have not been significant changes to the Organization's business processes, systems, or internal controls as a result of implementing the standard. The Organization adopted the standard on January 1, 2019, using the modified retrospective transition method.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU includes clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions. The Organization adopted ASU 2018-08, under the modified prospective approach to agreements that were either not completed as of January 1, 2019 or entered into after January 1, 2019. The adoption of this ASU did not have a material effect on the financial statements for contributions received. The Organization does not make significant contributions and the impact of ASU 2018-08 related to contributions made is not expected to be material to the financial statements or disclosures.

**NOTE 3 PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31:

	2019	2018
Gross pledges receivable	\$ 219,887	\$ 199,161
Less: unamortized discount	-	(9,438)
Less: reserve for uncollected	-	-
Pledges receivable, net	<u>\$ 219,887</u>	<u>\$ 189,723</u>
Amounts due:		
Within one year	\$ 219,887	\$ 109,161
Within two years	-	12,777
Within three years	-	13,194
Within four years	-	13,624
Within five years	-	14,068
Thereafter	-	26,899
Pledges receivable, net	<u>\$ 219,887</u>	<u>\$ 189,723</u>

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
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On an ongoing basis the Organization evaluates pledges based on facts and circumstances surrounding the gift and communication with its donors. During 2019, the Organization reviewed a pledge dated November 2015 for a gift of \$150,000 and has determined that the remainder of the pledge will not be collected. The present value of the pledge as of December 31, 2019 of \$95,562 has been written off and included in bad debt expense. Bad debt expense for the years ended December 31, 2019 and 2018 was \$104,847 and \$13,780, 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. The discount rates used for the years ended December 31, 2019 and 2018 are 2.07% and 3.26%, respectively.

**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:

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, 2019 and 2018 are classified in the following schedules in one of three categories described above.

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The table below presents the balances of assets measured at fair value as of December 31, 2019 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	\$ -	\$ -	\$ 25,416	\$ 25,416
Beneficial interest in Rancho Santa Fe endowment fund	-	-	45,952	45,952
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,368</u>	<u>\$ 71,368</u>

The table below presents the balances of assets measured at fair value as of December 31, 2018 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	\$ -	\$ -	\$ 24,883	\$ 24,883
Beneficial interest in Rancho Santa Fe endowment fund	-	-	39,685	39,685
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,568</u>	<u>\$ 64,568</u>

The investments in the Jewish Community Foundation of San Diego 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 following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2019:

Balance at December 31, 2018	\$ 64,568
Change in value	6,800
Distribution	-
Balance at December 31, 2019	<u>\$ 71,368</u>

**BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2018:

Balance at December 31, 2017	\$ 67,056
Change in value	(2,488)
Distribution	-
Balance at December 31, 2018	\$ 64,568

**NOTE 6 BENEFICIAL INTEREST IN ENDOWMENT**

The San Diego Community Foundation (SDCF) 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 SDCF 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 30<sup>th</sup> each year.

When the endowment funds were established, the Organization granted variance power to SDCF and gives SDCF 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 SDCF 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, 2019 and 2018, the distributable balance in SDCF totaled \$2,791 and \$2,737, respectively, which is reported in the statement of financial position as beneficial interest in endowment funds.

**NOTE 7 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	2019	2018
Office equipment	\$ 67,431	\$ 67,431
Furniture and fixtures	39,306	39,306
	106,737	106,737
Accumulated depreciation	(79,206)	(64,333)
	\$ 27,531	\$ 42,404

Depreciation expense was \$14,873 and \$15,259 for the years ended December 31, 2019 and 2018, respectively.

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**NOTE 8     ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Accrued vacation	\$ 63,461	\$ 76,172
Other accrued expenses	40,121	20,849
Accrued payroll expenses	35,450	33,972
	<u>\$ 139,032</u>	<u>\$ 130,993</u>

**NOTE 9     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, 2019 and 2018, was 6.75% and 7.50%, respectively. At December 31, 2019 and 2018, the Organization had a balance of \$54,303 and \$63,082, respectively. The line of credit remains active as long as the account is in good-standing.

Interest expense related to the line is \$4,461 and \$4,479 for the years ended December 31, 2019 and 2018, respectively.

**NOTE 10    RETIREMENT PLAN**

The Organization maintains a 403(b) plan, which provides employees an opportunity to defer a portion of their compensation through salary reduction. There is no matching provision on the part of the Organization. Plan costs consists of nominal administrative fees.

**NOTE 11    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.

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**NOTE 12 SPECIAL EVENTS**

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

	2019	2018
Revenue:		
Gourmet Dinner	\$ 861,476	\$ 691,426
Golf Jet Away	162,558	278,996
Golf Marathon	223,199	180,144
Phil's BBQ	113,341	107,471
Poker Tournament	37,161	50,177
Young Professionals Committee	27,111	27,855
Ayana Gala	3,012	26,463
September Sizzle	10,417	13,272
	1,438,275	1,375,804
Expenses:		
Facilities and venue	45,415	112,825
Food and beverages	139,588	106,016
Other event costs	91,415	94,817
	276,418	313,658
	\$ 1,161,857	\$ 1,062,146

**NOTE 13 COMMITMENTS**

The Organization leased office space under an operating lease agreement that expired in December 2019. Upon expiration of the lease agreement, the Organization leased the space on a month-to-month basis. The Organization also leases office equipment under various lease agreements expiring by 2022. Minimum future payments under non-cancelable operating leases having remaining terms in excess of one year for the years ended December 31 are as follows:

2020	\$	11,954
2021		11,324
2022		536
		\$ 23,814

Office space lease expense for the years ended December 31, 2019 and 2018 was \$114,282 and \$110,792, respectively. Office equipment lease expense for the years ended December 31, 2019 and 2018 was \$14,952 and \$14,408, respectively.

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**NOTE 14 NET ASSETS**

Net assets consist of the following at December 31:

	2019	2018
Without donor restrictions:		
Undesignated and unrestricted	\$ 181,471	\$ 246,476
With donor restrictions:		
Subject to expenditure for specific purpose:		
Operation Bigs	196,445	-
Bigs with Badges	62,373	77,385
Big Futures	17,578	-
Ayana	1,038	12,000
Juvenile Justice and Delinquency Program	11	28,857
	277,445	118,242
	\$ 458,916	\$ 364,718

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:

	2019	2018
Purpose restrictions accomplished:		
Operation Bigs	\$ 210,654	\$ -
Beyond School Walls	157,525	-
Bigs with Badges	77,672	136,574
Big Futures	34,922	40,000
Juvenile Justice and Delinquency Program	28,846	-
Ayana	11,013	9,990
Healthy Futures	5,000	17,300
Site based mentoring	-	487,398
Beneficial interest in endowment	-	2,689
	\$ 525,632	\$ 693,951
	\$ 525,632	\$ 693,951

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**NOTE 15 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 goal is to be able to function within the boundaries of the income received throughout the year.

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, 2019 and 2018, 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:

	2019	2018
Financial assets, at year-end:		
Cash	\$ 271,015	\$ 203,712
Pledges receivable	219,887	189,723
Total financial assets	490,902	393,435
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:		
Restricted for specific programs	(277,445)	(118,242)
Restricted by time	-	(80,562)
Total amounts not available to be used within one year	(277,445)	(198,804)
Financial assets available to meet general expenditures within one year	\$ 213,457	\$ 194,631

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**NOTE 16   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, 2019 and 2018.

**NOTE 17   SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 23, 2020, the date which the financial statements were available to be issued.

As a result of the spread of the Covid-19 Coronavirus and the resulting stay-at- home orders issued by the State of California, the state in which the Organization operates, the Organization is experiencing reduced revenues. The duration of the reduction in revenues may be only temporary. However, the related financial impact and duration cannot be reasonably estimated at this time.

In June 2020, the Organization received loan proceeds in the amount of \$305,565 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides loans to qualifying businesses. The PPP loans include terms that allow for the forgiveness of the loan. The Organization intends to use the proceeds for the purposes consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, it cannot assure the Organization will not take actions that could cause it to be ineligible for forgiveness of the loan, in whole or in part.

In January 2020, the Organization entered into a lease agreement for different office space in the same building and moved into the space in June 2020.