

**BIG BROTHERS BIG SISTERS
OF SAN DIEGO COUNTY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.

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CERTIFIED PUBLIC ACCOUNTANTS

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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of 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.

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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, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Big Brothers Big Sisters of San Diego County, Inc. as of December 31, 2017, were audited by other auditors whose report dated September 12, 2018, expressed an unmodified opinion on these statements.

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An accountancy corporation

September 17, 2019

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

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	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 203,712	\$ 156,162
Pledges receivable (note 3)	109,161	397,600
Prepaid expenses	37,175	32,972
Other current assets	18,474	23,768
	368,522	610,502
OTHER ASSETS		
Pledges receivable - long term (note 3)	80,562	94,843
Property and equipment (note 7)	42,404	57,663
Beneficial interests in foundations (note 4 and 5)	64,568	67,056
Beneficial interest in endowment funds (note 6)	2,737	2,689
	190,271	222,251
TOTAL ASSETS	558,793	832,753
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses (note 8)	130,993	116,564
Line of credit (note 9)	63,082	72,084
TOTAL LIABILITIES	194,075	188,648
NET ASSETS (note 14)		
Without donor restrictions	246,476	473,022
With donor restrictions	118,242	171,083
TOTAL NET ASSETS	364,718	644,105
TOTAL LIABILITIES AND NET ASSETS	\$ 558,793	\$ 832,753

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>
SUPPORT AND REVENUE:			
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)
Other income	1,900	-	1,900
	<u>1,672,880</u>	<u>641,110</u>	<u>2,313,990</u>
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	693,951	(693,951)	-
OPERATING EXPENSES			
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>
CHANGE IN NET ASSETS	(226,546)	(52,841)	(279,387)
NET ASSETS, BEGINNING	<u>473,022</u>	<u>171,083</u>	<u>644,105</u>
NET ASSETS, ENDING	<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 ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

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	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
SUPPORT AND REVENUE:			
Contributions	\$ 635,553	\$ 635,119	\$ 1,270,672
Special events (note 12)	1,477,914	-	1,477,914
Grants (note 11)	13,000	-	13,000
Net investment income	5,402	(626)	4,776
	<hr/>	<hr/>	<hr/>
TOTAL SUPPORT AND REVENUE	2,131,869	634,493	2,766,362
NET ASSETS RELEASED FROM RESTRICTION			
Satisfaction of program restrictions	536,814	(536,814)	-
OPERATING EXPENSES			
Program services	2,227,454	-	2,227,454
Management and general	1,190,426	-	1,190,426
Fundraising expenses	539,844	-	539,844
	<hr/>	<hr/>	<hr/>
	3,957,724	-	3,957,724
CHANGE IN NET ASSETS	(1,289,041)	97,679	(1,191,362)
NET ASSETS, BEGINNING	<hr/> 1,762,063 <hr/>	<hr/> 73,404 <hr/>	<hr/> 1,835,467 <hr/>
NET ASSETS, ENDING	<hr/> \$ 473,022 <hr/>	<hr/> \$ 171,083 <hr/>	<hr/> \$ 644,105 <hr/>

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	-	-	106,016	106,016
Food and beverage	-	-	112,825	112,825
Other event costs	-	-	94,817	94,817
	<u>-</u>	<u>-</u>	<u>313,658</u>	<u>313,658</u>
Costs of direct benefits to donors at special events	<u>-</u>	<u>-</u>	<u>(207,642)</u>	<u>(207,642)</u>
	<u>-</u>	<u>-</u>	<u>106,016</u>	<u>106,016</u>
TOTAL FUNCTIONAL EXPENSES	<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.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>PROGRAM</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
EXPENSES:				
Advertising and recruiting	\$ 1,419	\$ 8,622	\$ 232	\$ 10,273
Bad debt expense	-	697,400	-	697,400
Bank and credit card fees	20,701	531	9,218	30,450
Conferences and meetings	472	12,515	451	13,438
Depreciation	11,221	1,402	1,402	14,025
Dues - National	16,210	8,323	-	24,533
Employee benefits	122,834	12,351	-	135,185
Equipment rental and maintenance	-	1,222	-	1,222
Fundraising costs	-	-	8,302	8,302
Information and technology	35,805	5,791	630	42,226
Insurance	18,819	9,140	3,678	31,637
Interest expense	-	3,759	-	3,759
Office expense	17,768	21,888	2,513	42,169
Payroll taxes	124,218	18,614	14,247	157,079
Program expense	112,658	-	-	112,658
Professional services	33,350	137,720	13,981	185,051
Rent	93,126	10,220	16,214	119,560
Salaries	1,587,463	238,060	182,254	2,007,777
Travel	24,319	888	1,932	27,139
Utilities	7,071	1,980	-	9,051
Expenses before special events	<u>2,227,454</u>	<u>1,190,426</u>	<u>255,054</u>	<u>3,672,934</u>
Special events				
Facilities and venue	-	-	97,087	97,087
Food and beverage	-	-	119,363	119,363
Other event costs	-	-	68,340	68,340
	<u>-</u>	<u>-</u>	<u>284,790</u>	<u>284,790</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 2,227,454</u></u>	<u><u>\$ 1,190,426</u></u>	<u><u>\$ 539,844</u></u>	<u><u>\$ 3,957,724</u></u>
Percentage of total	56%	30%	14%	100%

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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	2018	2017
CASH FLOWS PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ (279,387)	\$ (1,191,362)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Depreciation and amortization	15,259	14,025
Unrealized (gain)/loss from beneficial interests in foundations	2,488	(5,126)
Loss on write down of pledge receivable	-	697,179
Changes in operating assets and liabilities:		
Pledges receivable	302,720	187,129
Prepaid expenses	(4,203)	3,025
Other current assets	5,294	-
Beneficial interest in endowment funds	(48)	49
Accounts payable and accrued expenses	14,429	18,943
	335,939	915,224
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	56,552	(276,138)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	-	(22,787)
CASH FLOWS PROVIDED/(USED) BY FINANCING ACTIVITIES		
Net increase/(decrease) on line of credit	(9,002)	72,084
NET INCREASE/(DECREASE) IN CASH	47,550	(226,841)
CASH, BEGINNING OF YEAR	156,162	383,003
CASH, END OF YEAR	\$ 203,712	\$ 156,162
Supplemental disclosures:		
Interest paid	\$ 4,479	\$ 3,759
Taxes paid	\$ -	\$ -

See accompanying notes

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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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, 2018 and 2017, the Organization had net assets with donor restrictions of \$118,242 and \$171,083, 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, 2018 and 2017, 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, 2018 and 2017, management considers all pledges collectible.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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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 \$76,172 and \$80,799, as of December 31, 2018 and 2017, respectively.

Revenue recognition – Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. 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.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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Donor-imposed restrictions – All contributions are considered to be without donor restrictions unless specifically restricted by 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. Gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

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, 2018 and 2017, the value of donated goods and services are \$92,838 and \$32,500, 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, 2018 and 2017 was \$1,146 and \$10,183, 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, 2018 and 2017, 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 COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
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In August, 2016, FASB issued Accounting Standards Update 2016-14, Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for Profit Entities* (ASU 2016-14). The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, with early adoption permitted. The Foundation’s management elected to adopt ASU 2016-14 effective in the year ending December 31, 2018.

The new standards change the following aspects of Organization’s financial statements:

- The temporarily restricted net asset class has been renamed net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (note 15).
- The net asset disclosures were expanded (note 14).

Reclassifications – Certain reclassifications were made to comply with the adoption of ASU 2016-14. Additionally, certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. These reclassifications had no effect on total assets, total liabilities, and total net assets.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	2018	2017
Gross pledges receivable	\$ 199,161	\$ 502,600
Less: unamortized discount	(9,438)	(10,157)
Less: reserve for uncollected	-	-
Pledges receivable, net	\$ 189,723	\$ 492,443
Amounts due:		
Within one year	\$ 109,161	\$ 397,600
Within two years	12,777	12,374
Within three years	13,194	12,777
Within four years	13,624	13,194
Within five years	14,068	13,624
Thereafter	26,899	42,874
Pledges receivable, net	\$ 189,723	\$ 492,443

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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 2017, the Organization reviewed a substantial Gift Agreement and Statement of pledge dated June 2008 for a gift of \$1,000,000 and has determined that the pledge is considered an intention to give (from the individuals' will as a beneficiary) and therefore not an unconditional promise to give. The present value of the pledge as of December 31, 2017 of \$697,179 has been written off and included in bad debt expense for the year ended December 31, 2017, totaling \$697,400.

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, 2018 and 2017 are 3.26% and 2.61%, 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.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

Financial assets carried at fair value at December 31, 2018 and 2017 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, 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 table below presents the balances of assets measured at fair value as of December 31, 2017 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	\$ -	\$ -	\$ 24,691	\$ 24,691
Beneficial interest in Rancho Santa Fe endowment fund	-	-	42,365	42,365
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,056</u>	<u>\$ 67,056</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.

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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	<u>\$ 64,568</u>

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2017:

Balance at December 31, 2016	\$ 61,930
Change in value	5,126
Distribution	-
Balance at December 31, 2017	<u>\$ 67,056</u>

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 30th 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, 2018 and 2017, the distributable balance in SDCF totaled \$2,737 and \$2,689, respectively, which is reported in the statement of financial position as beneficial interest in endowment funds.

BIG BROTHERS BIG SISTERS OF SAN DIEGO COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2018	2017
Office equipment	\$ 67,431	\$ 67,431
Furniture and fixtures	39,306	39,306
	106,737	106,737
Accumulated depreciation	(64,333)	(49,074)
	\$ 42,404	\$ 57,663

Depreciation expense was \$15,259 and \$14,025 for the years ended December 31, 2018 and 2017, respectively.

NOTE 8 ACCOUNTS PAYABLE ACCRUED EXPENSES

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

	2018	2017
Accrued vacation	\$ 76,172	\$ 80,799
Accrued payroll expenses	33,972	7,968
Other accrued expenses	20,849	27,797
	\$ 130,993	\$ 116,564

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, 2018 and 2017, was 7.5% and 6.5%, respectively. At December 31, 2018 and 2017, the Organization had a balance of \$63,082 and \$72,084, respectively. The line of credit remains active as long as the account is in good-standing.

Interest expense related to the line is \$4,479 and \$3,759 for the years ended December 31, 2018 and 2017, respectively.

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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. Employee deferrals were \$15,052 and \$8,071 for the years ended December 31, 2018 and 2017.

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.

NOTE 12 SPECIAL EVENTS

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

Revenue:	2018	2017
Gourmet Dinner	\$ 691,426	\$ 901,496
Golf Jet Away	278,996	254,991
Golf Marathon	180,144	169,060
Phil's BBQ	107,471	77,360
Poker Tournament	50,177	36,651
Young Professionals Committee	27,855	25,755
Ayana Gala	26,463	-
September Sizzle	13,272	12,601
	<u>1,375,804</u>	<u>1,477,914</u>
 Expenses:		
Facilities and venue	112,825	97,087
Food and beverage	106,016	119,363
Other event costs	94,817	68,339
	<u>313,658</u>	<u>284,790</u>
Net special events revenue	<u>\$ 1,062,146</u>	<u>\$ 1,193,125</u>

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NOTE 13 COMMITMENTS

The Organization leases office space under an operating lease that expires in December 2019. 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:

	2019	\$	125,891
	2020		11,954
	2021		11,324
	2022		536
			\$ 149,705
			\$ 149,705

Office space lease expense for the years ended December 31, 2018 and 2017 was \$110,792 and \$108,092, respectively. Office equipment lease expense for the years ended December 31, 2018 and 2017 was \$14,408 and \$12,690, respectively.

NOTE 14 NET ASSETS

Net assets consist of the following at December 31:

	2018	2017
Without donor restrictions:		
Undesignated and unrestricted	\$ 246,476	\$ 473,022
With donor restrictions:		
Subject to expenditure for specific purpose:		
Bigs with Badges	77,385	106,244
Juvenile Justice and Delinquency Program	28,857	-
Ayana	12,000	-
Site based mentoring	-	62,150
Beneficial interest in endowment	-	2,689
	118,242	171,083
	\$ 364,718	\$ 644,105

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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:

	2018	2017
Purpose restrictions accomplished:		
Site based mentoring	\$ 487,398	\$ 496,390
Bigs with Badges	136,574	5,424
Big Futures	40,000	25,000
Healthy Futures	17,300	10,000
Ayana	9,990	-
Beneficial interest in endowment	2,689	-
	\$ 693,951	\$ 536,814

The changes as a result of ASU 2016-14 as outlined in note 2 have the following effect on the net assets at December 31, 2017:

	As originally presented	After adoption of ASU 2016-14
<u>Net asset class</u>		
Unrestricted	\$ 473,022	\$ -
Temporarily restricted	171,083	-
Without donor restrictions	-	473,022
With donor restrictions	-	171,083
	\$ 644,105	\$ 644,105

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.

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The following reflects the Organization's financial assets as of December 31, 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:

Financial assets, at year-end:	
Cash	\$ 203,712
Pledges receivable	<u>189,723</u>
Total financial assets	393,435
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted for specific programs	(118,242)
Restricted by time	<u>(80,562)</u>
Total amounts not available to be used within one year	(198,804)
Financial assets available to meet general expenditures within one year	<u><u>\$ 194,631</u></u>

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, 2018 and 2017.

NOTE 17 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2019, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.