

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

June 30, 2022
(with comparative totals for 2021)

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expenses.....	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-19

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of Greater Los Angeles, Inc.:

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Greater Los Angeles, Inc. (the Organization) as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 auditors' 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, including omissions, 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 11, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Long Beach, California
March 27, 2023

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

ASSETS

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 5,417,947	\$ 2,318,548
Investments	2,251,654	2,238,880
Grants and contributions receivable, net	522,000	918,500
Other receivables	77,515	19,952
Prepaid expenses and other assets	67,335	107,174
Property and equipment, net	<u>37,293</u>	<u>37,369</u>
TOTAL ASSETS	<u><u>\$ 8,373,744</u></u>	<u><u>\$ 5,640,423</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable and accrued expenses	\$ 185,847	\$ 196,730
Paycheck Protection Program loan	<u>-</u>	<u>548,098</u>
	<u>185,847</u>	<u>744,828</u>

COMMITMENTS AND CONTINGENCIES (Note 8)

NET ASSETS		
Without donor restrictions:		
Undesignated	5,475,159	1,776,957
Board-designated	<u>373,072</u>	<u>383,947</u>
	<u>5,848,231</u>	<u>2,160,904</u>
With donor restrictions	<u>2,339,666</u>	<u>2,734,691</u>
Total net assets	<u>8,187,897</u>	<u>4,895,595</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 8,373,744</u></u>	<u><u>\$ 5,640,423</u></u>

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

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
REVENUE				
Grants and contributions	\$ 3,997,467	\$ 885,831	\$ 4,883,298	\$ 2,561,506
Special events, net	1,364,829	-	1,364,829	1,283,021
Bingo, net	-	-	-	(139,027)
Membership dues and application fees	31,742	-	31,742	25,925
Investment (loss) return, net	(155,462)	(30,065)	(185,527)	269,076
Loss on write-off of contribution receivable with donor restrictions	-	(250,000)	(250,000)	-
Paycheck Protection Program loan and interest forgiveness	553,714	-	553,714	548,098
Net assets released from restrictions	<u>1,000,791</u>	<u>(1,000,791)</u>	<u>-</u>	<u>-</u>
	<u>6,793,081</u>	<u>(395,025)</u>	<u>6,398,056</u>	<u>4,548,599</u>
EXPENSES				
Program services	2,679,805	-	2,679,805	2,316,904
Management and general	133,042	-	133,042	163,258
Fundraising	<u>292,907</u>	<u>-</u>	<u>292,907</u>	<u>399,972</u>
	<u>3,105,754</u>	<u>-</u>	<u>3,105,754</u>	<u>2,880,134</u>
CHANGE IN NET ASSETS	3,687,327	(395,025)	3,292,302	1,668,465
NET ASSETS AT BEGINNING OF YEAR	<u>2,160,904</u>	<u>2,734,691</u>	<u>4,895,595</u>	<u>3,227,130</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,848,231</u>	<u>\$ 2,339,666</u>	<u>\$ 8,187,897</u>	<u>\$ 4,895,595</u>

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

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
				<u>2022</u>	<u>2021</u>
Salaries	\$ 1,249,516	\$ 49,815	\$ 220,879	\$ 1,520,210	\$ 1,580,933
Employee benefits	224,435	22,372	20,387	267,194	224,957
Payroll taxes	<u>96,021</u>	<u>3,828</u>	<u>16,974</u>	<u>116,823</u>	<u>118,171</u>
 Total personnel costs	 1,569,972	 76,015	 258,240	 1,904,227	 1,924,061
 Scholarships	 395,340	 -	 -	 395,340	 344,006
Program services	39,607	-	-	39,607	16,788
Professional fees	203,232	41,605	10,046	254,883	175,133
Occupancy and rent	138,008	2,099	6,822	146,929	85,703
Insurance	76,365	1,161	3,774	81,300	79,309
Depreciation and amortization	31,164	474	1,541	33,179	43,104
Administration and office	30,998	471	1,532	33,001	7,430
Information technology	32,089	488	1,586	34,163	16,145
Telephone	26,225	399	1,296	27,920	24,418
Dues and subscriptions	50,438	767	3,802	55,007	43,124
Minor equipment lease and maintenance	12,580	191	622	13,393	4,668
Travel	16,903	257	836	17,996	-
Bad debt expense	-	8,250	-	8,250	10,750
Interest, bank and credit card fees	49,937	759	2,468	53,164	60,808
Printing and publications	<u>6,947</u>	<u>106</u>	<u>342</u>	<u>7,395</u>	<u>44,687</u>
	<u>\$ 2,679,805</u>	<u>\$ 133,042</u>	<u>\$ 292,907</u>	<u>\$ 3,105,754</u>	<u>\$ 2,880,134</u>
 Percentage of the total	 86.3%	 4.3%	 9.4%	 100.0%	 100.0%

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

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 3,292,302	\$ 1,668,465
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	33,179	43,104
Loss on write-off of contribution receivable with donor restrictions	250,000	-
Bad debt expense	8,250	10,750
Loss on disposal of assets	-	11,291
Paycheck Protection Program loan forgiveness	(548,098)	(548,098)
Realized and unrealized investment gains	(185,527)	(249,375)
Changes in operating assets and liabilities:		
Grants and contributions receivable	138,250	(209,771)
Other receivables	(57,563)	32,075
Prepaid expenses and other assets	39,839	(49,171)
Deposits	-	29,735
Accounts payable and accrued expenses	(10,883)	(330,845)
Net Cash Provided By Operating Activities	<u>2,959,749</u>	<u>408,160</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(33,103)	-
Purchases of investments	(27,727)	(19,701)
Proceeds from sales of investments	200,480	15,894
Net Cash Provided By (Used In) Investing Activities	<u>139,650</u>	<u>(3,807)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	548,098
Payments made on line of credit	-	(398,346)
Net Cash Provided By Financing Activities	<u>-</u>	<u>149,752</u>
NET CHANGE IN CASH	3,099,399	554,105
CASH AT BEGINNING OF YEAR	<u>2,318,548</u>	<u>1,764,443</u>
CASH AT END OF YEAR	<u>\$ 5,417,947</u>	<u>\$ 2,318,548</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Paycheck Protection Program loan accrued interest forgiveness	\$ 5,616	\$ -
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ 14,769

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

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 1 – Nature of Organization

Big Brothers Big Sisters of Greater Los Angeles, Inc. (the Organization) is a California nonprofit corporation formed to empower children who face economic, emotional, and social challenges through a variety of programs that provide professionally supported, one-to-one mentoring relationships with positive role models.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Net assets and revenue are classified based on the existence or absence of donor-imposed restrictions.

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for general operational purposes from time to time.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by actions of the Organization or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as satisfaction of purpose and time restrictions. Other donor restrictions are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity.

The Organization's endowment consists of individual donor-restricted funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Prior-Period Information

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

Cash consists of cash and cash equivalents not held for investment purposes. Cash and cash equivalents held for investment purposes, which includes money market funds and time deposits, are included in investments on the statement of financial position as they are not anticipated to be used to cover general expenditures and are a part of the Organization's investment strategy.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Realized and unrealized gains and losses have been netted on the statement of activities. Investment return presented on the statement of activities is presented net of investment expenses. There were no investment expenses for the year ended June 30, 2022.

Grants and Contributions Receivable

Unconditional promises to give (pledges) that are expected to be collected within one year are recorded at net realizable value; pledges that are expected to be collected over periods in excess of one year are discounted to net present value using risk-free interest rates applicable to the years in which the pledges are received. Discounts on unconditional pledges are amortized from the date the pledge was initially recognized to the date the contribution is received.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Accounts are charged to the allowance for doubtful accounts as they are deemed uncollectible. The Organization has evaluated all grants and contributions receivable as of June 30, 2022 and determined an allowance for uncollectible promises to give of \$9,000 as of June 30, 2022. Any discount amortization is recognized as contributions.

As of June 30, 2022, the Organization's pledges receivable are all expected to be collected within one year.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Certain financial instruments held by the Organization potentially subject the Organization to concentrations of credit risk. These financial instruments include cash and cash equivalents, receivables, and investments.

The Organization places its cash and cash equivalents with high-credit, quality financial institutions. At times, such cash may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant risk on its cash and cash equivalents.

With respect to grants and contributions receivable, the Organization routinely assesses the financial strength of its donors and, as a consequence, believes that the receivable credit risk exposure is limited.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Fair Value Measurements

As defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820, *Fair Value Measurements and Disclosures* (ASC 820), fair value is 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 determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value.

- | | |
|----------------|---|
| Level 1 | Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets |
| Level 2 | Includes other inputs that are directly or indirectly observable in the marketplace |
| Level 3 | Unobservable inputs which are supported by little or no market activity |

For the year ended June 30, 2022, the application of valuation techniques applied to similar assets and liabilities has been consistent.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment includes leasehold improvements and furniture and fixtures used in the operations of the Organization. Property and equipment is stated at cost, if purchased, or fair market value at the date of donation, if donated. Normal repairs and maintenance are expensed as incurred, while additions, renewals, and betterments that materially increase values or extend useful lives are capitalized and depreciated over the estimated remaining useful lives of the related assets. Leasehold improvements are amortized over the shorter of the lease term or useful life.

Depreciation and amortization on all other property and equipment is computed with the straight-line method over the following estimated useful lives of assets:

Leasehold improvements	5 years
Furniture and fixtures	3-8 years

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such a review indicates that the carrying amount of an asset may not be recoverable, an impairment loss is recognized for the excess of the carrying amount over the fair value of an asset to be held and used or over the fair value less cost to sell an asset to be disposed.

Grants and Contributions

Grants and contributions are reported in the period earned, at the amount reasonably expected to be collected, and as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets with donor restrictions are reported as net assets released from restrictions on the statement of activities.

Recently Adopted Accounting Standard

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets. The Organization adopted this ASU for the year ended June 30, 2022 and it had no impact on the Organization's financial statements.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

Support arising from donated services is recognized if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In addition, the Organization receives a significant amount of donated services from unpaid volunteers that are essential to the completion of the Organization's purposes. However, these services do not meet the accounting criteria necessary for recognition and, therefore, have not been recorded in the financial statements. The Organization recognizes contributions of property and equipment as in-kind support on the statement of activities at fair value.

Special Events

During the year ended June 30, 2022, the Organization held a limited number of events, such as a golf outing and a gala. These events generated revenue from sponsorships, ticket sales and donations, as well as through a silent and live auction. Revenue and direct expenses for these events were as follows for the year ending June 30, 2022 and 2021:

	June 30,	
	2022	2021
Revenue	\$ 1,873,786	\$ 1,670,763
Direct expenses	<u>(508,957)</u>	<u>(387,742)</u>
Net special events income	<u>\$ 1,364,829</u>	<u>\$ 1,283,021</u>

Functional Expenses

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between the program services and supporting services benefitted. Salaries, payroll taxes and employee benefits are allocated based on time and effort of employees and are used to allocate all indirect expenses. Scholarships, program services, and bad-debt expense are directly allocated. Administration, office, dues and subscriptions are first allocated directly and the remaining indirect expenses are allocated based on the time and effort of employees. All other expenses are indirectly allocated based on the time and effort of employees.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization has been designated as tax-exempt under Internal Revenue Code Section 501(c)(3), is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code, and is not generally subject to federal or state income taxes. However, the Organization is subject to income taxes on any net income that is derived from a trade or business regularly carried on and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as, in the opinion of management, the net income from any unrelated trade or business that is not material to the basic financial statements taken as a whole.

The Organization adopted FASB ASC Topic No. 740, *Accounting for Uncertainty in Income Taxes* (ASC 740). In accordance with ASC 740, the Organization recognizes the impact of tax positions in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. To date, the Organization has not recorded any uncertain tax positions. The Organization recognizes the potential accrued interest and penalties related to uncertain tax positions in income tax expense. The Organization is subject to potential income tax audits on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal purposes is three years and for California is four years.

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021 (effective year ending June 30, 2023 for the Organization). The Organization is currently evaluating the impact of the adoption of the new standard. This ASU is estimated to add right-of-use assets and lease liabilities to the statement of financial position of \$173,357 as of July 1, 2022.

Subsequent Events

Subsequent events have been evaluated through March 27, 2023, which is the date the financial statements were available to be issued.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 3 – Financial Assets and Liquidity Resources

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions as of June 30, 2022:

Financial assets at year-end:

Cash and cash equivalents	\$ 5,417,947
Investments	2,251,654
Grants and contributions receivable, net	522,000
Other receivables	<u>77,515</u>
	8,269,116

Less amounts unavailable for general expenditure
within one year due to:

Board-designated restrictions	(373,072)
Contractual or donor-imposed restrictions	<u>(2,339,666)</u>

Financial assets available for general expenditure
within one year

\$ 5,556,378

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,000,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit.

The Organization has board-designated net assets of \$373,072 as of June 30, 2022. These funds remain available and may be spent at the discretion of the Board and could be appropriated if needed.

NOTE 4 – Investments

The following table summarizes the Organization's investments by the fair value hierarchy as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 1,063,075	\$ -	\$ -	\$ 1,063,075
Bank insured deposits	859,268	-	-	859,268
Time deposits	201,369	-	-	201,369
Mutual funds	10,346	-	-	10,346
Fixed income securities	<u>-</u>	<u>117,596</u>	<u>-</u>	<u>117,596</u>
	<u>\$ 2,134,058</u>	<u>\$ 117,596</u>	<u>\$ -</u>	<u>\$ 2,251,654</u>

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 5 – Property and Equipment

The Organization's property and equipment consisted of the following as of June 30, 2022:

Furniture and fixtures	\$ 383,689
Less accumulated depreciation	<u>(346,396)</u>
Property and equipment, net	<u>\$ 37,293</u>

Depreciation and amortization expense for the year ended June 30, 2022 was \$33,179.

NOTE 6 – Line of Credit

In February 2021, the Organization entered into a revolving line of credit agreement with a financial institution providing for cash advances up to \$600,000. This agreement was secured by substantially all assets of the Organization. The line of credit charged interest at the prime rate plus 1.00% and the outstanding principal and interest was due on February 19, 2022. The Organization is still in negotiations with the financial institution to renew this line of credit. No agreement has been entered into as of March 27, 2023.

NOTE 7 – PPP Loan

In March 2020, Congress passed the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act, authorizing loans to small organizations for use in paying employees that they continue to employ throughout the COVID-19 pandemic and for rent, utilities, and interest on mortgages. Loans obtained through the program are eligible to be forgiven as long as the proceeds are used for qualifying purposes and certain other conditions are met.

In January 2021, the Small Business Administration announced a second draw of Paycheck Protection Program loans for eligible entities. In January 2021, the Organization was approved to receive an additional loan of \$548,098 of PPP funds. Per the terms of the loan, the full amount will be forgiven as long as loan proceeds are used to cover payroll costs and other specified nonpayroll costs (provided any nonpayroll costs do not exceed 40% of the forgiven amount) over a 24-week period after the loan is made; and employee and compensation levels are maintained.

The Organization complied with the above terms in order to qualify for full loan forgiveness. On February 11, 2022, the Organization received notice that the second draw loan has been forgiven in full along with accrued interest of \$5,616.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 8 – Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Organization may be involved in legal proceedings and regulatory investigations. Management believes that the outcome of such matters existing at June 30, 2022 will be resolved without material adverse effect on the Organization's future financial position, changes in net assets, or cash flows.

Operating Leases

The Organization leases its facilities and equipment from unrelated parties under various operating leases that expire on various dates through February 2028 and require aggregate minimum monthly payments of that range from \$1,200 to \$5,000. For the year ended June 30, 2022, rent expense amounted to \$44,655.

At June 30, 2022, minimum annual rental commitments under noncancelable leases are payable as follows:

Years Ending June 30,	
<u>2023</u>	\$ 37,870
2024	36,575
2025	33,964
2026	34,983
2027	36,032
Thereafter	<u>26,911</u>
	<u>\$ 206,335</u>

NOTE 9 – Board-Designated Net Assets

Board-designated net assets at June 30, 2022 consists of \$373,072 related to The Big Brothers Big Sisters Scholarship Fund.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 10 – Net Assets With Donor Restrictions

The following is a summary of the Organization's net assets with donor restrictions:

	<u>Available June 30, 2021</u>	<u>Net Revenue and Investment Return</u>	<u>Expenses/ Releases from Restriction</u>	<u>Available June 30, 2022</u>
Restricted for time/purpose:				
Women in Entertainment scholarships	\$ 388,175	\$ 285,000	\$ (349,960)	\$ 323,215
The Big Brothers Big Sisters Scholarship Fund	-	14,000	(14,000)	-
College PAC Program	-	37,000	(37,000)	-
Community-Based Program	-	259,750	(259,750)	-
Workplace program	-	290,081	(290,081)	-
YEF Program	<u>371,741</u>	<u>(250,000)</u>	<u>(50,000)</u>	<u>71,741</u>
	<u>759,916</u>	<u>635,831</u>	<u>(1,000,791)</u>	<u>394,956</u>
Accumulated earnings restricted for spending policy:				
The Future Fund	354,905	16,349	-	371,254
The Dawn Steel Fund	<u>219,870</u>	<u>(46,414)</u>	<u>-</u>	<u>173,456</u>
	<u>574,775</u>	<u>(30,065)</u>	<u>-</u>	<u>544,710</u>
Restricted in perpetuity:				
The Future Fund	1,000,000	-	-	1,000,000
The Dawn Steel Fund	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>
	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>1,400,000</u>
	<u>\$ 2,734,691</u>	<u>\$ 605,766</u>	<u>\$ (1,000,791)</u>	<u>\$ 2,339,666</u>

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 11 – Endowments

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) adopted by the State of California as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the following: the corpus of the endowment; the original gift donated to the permanent endowment; the original value of subsequent gifts to the permanent endowment; and the accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the Organization
7. The Organization's investment policies

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a diversified portfolio of money market funds; certificates of deposit; mutual funds; municipal bonds and other instruments employing an investment strategy whose investment goal is to maximize the rate of return, while at the same time minimizing risk consistent with an overriding policy of preservation of capital.

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 11 – Endowments (Continued)

Spending Policy and How Investment Objectives Relate to Spending Policy

The Organization has a target policy of appropriating for distribution 5% of the annual portfolio value. This policy is derived from the donors' desire to provide resources for the Organization's projects in perpetuity, while being mindful of the preservation of capital and the effect of inflation. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to maintain the original corpus and maintain the purchasing power of the endowment assets.

Endowment net asset composition by class as of June 30, 2022 was as follows:

	<u>The Future Fund</u>	<u>The Dawn Steel Fund</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 1,000,000	\$ 400,000	\$ 1,400,000
Accumulated investment earnings	<u>371,254</u>	<u>173,456</u>	<u>544,710</u>
Total endowment	<u><u>\$ 1,371,254</u></u>	<u><u>\$ 573,456</u></u>	<u><u>\$ 1,944,710</u></u>

Changes in endowment net assets with donor restrictions for the year ended June 30, 2022 were as follows:

	<u>The Future Fund</u>	<u>The Dawn Steel Fund</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 1,354,905	\$ 619,870	\$ 1,974,775
Investment return	16,349	(46,414)	(30,065)
Appropriations and expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Endowment net assets, June 30, 2022	<u><u>\$ 1,371,254</u></u>	<u><u>\$ 573,456</u></u>	<u><u>\$ 1,944,710</u></u>

BIG BROTHERS BIG SISTERS OF GREATER LOS ANGELES, INC.
(A Nonprofit Organization)

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

NOTE 12 – Retirement Benefits

In August 2006, the Organization adopted a profit-sharing plan covering all full-time employees who have reached age 21 and completed one or more years of service. The Organization's contributions in the participants' account balances are at the discretion of management and become fully vested after five years; funds may be withdrawn at retirement, disability, termination, or upon attaining age 55, whichever occurs first. For the year ended June 30, 2022, the Organization did not make any contributions to the profit-sharing plan.

In September 2006, the Organization adopted a 403(b) plan covering all full-time employees with one or more years of service. The 403(b) plan was established in accordance with Section 403(b) of the Internal Revenue Code and allows employee and employer contributions. Employees may elect to defer their compensation as an employee contribution subject to Internal Revenue Service regulation limitations. The Organization makes matching contributions equal to 100% of the participant's contribution up to a maximum of 4% of the participant's eligible compensation. Employees are fully vested in their account balances. The Organization's contributions to the 403(b) plan for the year ended June 30, 2022 amounted to \$22,700.