

**BIG BROTHERS BIG SISTERS
OF EASTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019**

**BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

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CITRIN COOPERMAN®

Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Big Brothers Big Sisters of Eastern Massachusetts, Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of Big Brothers Big Sisters of Eastern Massachusetts, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, 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 the 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.



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 Eastern Massachusetts, Inc. as of June 30, 2020, 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.

Report on Summarized Comparative Information

We have previously audited the Big Brothers Big Sisters of Eastern Massachusetts, Inc.'s 2019 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 8, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with audited financial statements from which it has been derived.

Adoption of New Accounting Pronouncements

As discussed in Note 2 to the financial statements, the Organization adopted Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, the amendments in Accounting Standards Update 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, and the amendments in Accounting Standards Update ASU No. 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, as of July 1, 2019. Our opinion is not modified with respect to this matter.


CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
November 5, 2020

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 2,662,477	\$ 2,929,813
Current portion of contributions receivable, net of allowance	2,425,019	2,780,979
Grants receivable	128,364	181,505
Current portion of investments	599,956	449,246
Prepaid expenses and other current assets	<u>376,011</u>	<u>537,060</u>
Total current assets	<u>6,191,827</u>	<u>6,878,603</u>
Property and equipment, net	<u>372,977</u>	<u>130,401</u>
Other assets:		
Contributions receivable, net of current portion and discount	1,539,509	2,084,258
Investments, net of current portion	3,239,600	3,382,683
Security deposit	<u>1,600</u>	<u>1,600</u>
Total other assets	<u>4,780,709</u>	<u>5,468,541</u>
 TOTAL ASSETS	 <u>\$ 11,345,513</u>	 <u>\$ 12,477,545</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
Current liabilities:		
Current portion of capital lease obligations	\$ 9,897	\$ 8,751
Accounts payable	51,207	143,149
Accrued expenses	445,443	588,460
Deferred revenue	305,432	134,731
Deferred lease incentive	<u>-</u>	<u>30,057</u>
Total current liabilities	811,979	905,148
Long-term liabilities:		
Capital lease obligations, net of current portion	<u>26,908</u>	<u>-</u>
Total liabilities	<u>838,887</u>	<u>905,148</u>
Net assets:		
Without donor restrictions	5,562,705	5,545,902
With donor restrictions	<u>4,943,921</u>	<u>6,026,495</u>
Total net assets	<u>10,506,626</u>	<u>11,572,397</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,345,513</u>	<u>\$ 12,477,545</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020, (With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>			<u>2019</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and other support:				
Special events	\$ 2,572,759	\$ -	\$ 2,572,759	\$ 5,049,925
Less cost of direct benefits to donor	<u>(1,425,083)</u>	<u>-</u>	<u>(1,425,083)</u>	<u>(2,115,613)</u>
Net revenues from special events	1,147,676	-	1,147,676	2,934,312
Individuals	1,963,590	1,028,249	2,991,839	1,516,217
Corporations, foundations, government and United Way	1,475,359	20,000	1,495,359	1,410,821
Other revenue	22,873	-	22,873	65,079
Forgiveness of paycheck protection program loan	880,300	-	880,300	-
Net assets released from restrictions	1,995,000	(1,995,000)	-	-
Endowment appropriation	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>170,000</u>
Total revenues and other support	<u>7,634,798</u>	<u>(946,751)</u>	<u>6,688,047</u>	<u>6,096,429</u>
Expenses:				
Program services	6,225,665	-	6,225,665	5,621,242
General and administrative	337,901	-	337,901	356,433
Fundraising and development	<u>1,074,202</u>	<u>-</u>	<u>1,074,202</u>	<u>1,215,647</u>
Total expenses	<u>7,637,768</u>	<u>-</u>	<u>7,637,768</u>	<u>7,193,322</u>
Changes in net assets from operating activities	<u>(2,970)</u>	<u>(946,751)</u>	<u>(949,721)</u>	<u>(1,096,893)</u>
Non-operating activity:				
Income from investments, net of fees	38,968	41,605	80,573	87,152
Net realized and unrealized gains on investments	(19,195)	(27,428)	(46,623)	47,209
Endowment appropriation	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(170,000)</u>
Changes in net assets from non-operating activity	<u>19,773</u>	<u>(135,823)</u>	<u>(116,050)</u>	<u>(35,639)</u>
Changes in net assets	16,803	(1,082,574)	(1,065,771)	(1,132,532)
Net assets - beginning	<u>5,545,902</u>	<u>6,026,495</u>	<u>11,572,397</u>	<u>12,704,929</u>
NET ASSETS - ENDING	<u>\$ 5,562,705</u>	<u>\$ 4,943,921</u>	<u>\$ 10,506,626</u>	<u>\$ 11,572,397</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020, (With Comparative Totals for the Year Ended June 30, 2019)

	2020				2019	
	Program Services	Supporting Services			Total	Totals
		General and Administrative	Fundraising and Development	Direct Benefit to Donors		
Payroll	\$ 4,073,979	\$ 186,531	\$ 742,707	\$ 382,627	\$ 5,385,844	\$ 4,997,081
Benefits	820,404	30,685	86,314	51,339	988,742	863,288
Occupancy	402,353	13,125	86,978	-	502,456	525,688
Food, beverage and entertainment	-	-	-	473,255	473,255	928,717
Other direct	-	-	-	408,117	408,117	544,430
Professional fees	262,689	3,886	49,779	-	316,354	279,101
Advertising and promotion	127,502	213	4,246	-	131,961	132,832
Membership/research	102,672	168	10,866	-	113,706	100,552
Rent and facility	-	-	-	109,745	109,745	186,594
Depreciation	60,933	1,988	13,172	-	76,093	107,301
Bad debt	-	74,844	-	-	74,844	75,000
Insurance	55,154	1,799	11,923	-	68,876	64,831
BBBSA dues	66,068	-	-	-	66,068	48,693
Moving expenses	47,090	1,536	10,180	-	58,806	-
Telephone	44,676	829	7,393	-	52,898	50,157
Travel	44,159	-	8,056	-	52,215	59,415
Activity fee	37,102	-	-	-	37,102	67,941
Equipment rental and maintenance	29,210	947	6,275	-	36,432	29,488
Business meetings	13,752	347	7,024	-	21,123	40,176
Charge card fees	-	20,217	-	-	20,217	38,924
Printing	6,047	121	11,827	-	17,995	36,891
Postage	5,960	173	9,908	-	16,041	35,760
Office supplies	10,774	286	4,221	-	15,281	19,395
In-kind expense	6,493	-	-	-	6,493	31,791
Volunteer stewardship	2,855	100	2,177	-	5,132	8,590
Conferences/training	4,105	51	791	-	4,947	15,541
Non-capital equipment	946	31	205	-	1,182	20,081
Interest	742	24	160	-	926	677
	<u>6,225,665</u>	<u>337,901</u>	<u>1,074,202</u>	<u>1,425,083</u>	<u>9,062,851</u>	<u>9,308,935</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,083</u>	<u>1,425,083</u>	<u>2,115,613</u>
TOTAL FUNCTIONAL EXPENSES	\$ <u>6,225,665</u>	\$ <u>337,901</u>	\$ <u>1,074,202</u>	\$ <u>-</u>	\$ <u>7,637,768</u>	\$ <u>7,193,322</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	2019				
	Program Services	Supporting Services			Total
		General and Administrative	Fundraising and Development	Direct Benefit to Donors	
Payroll	\$ 3,598,898	\$ 173,306	\$ 830,348	\$ 394,529	\$ 4,997,081
Food, beverage and entertainment	-	-	-	928,717	928,717
Benefits	669,907	25,223	106,815	61,343	863,288
Other direct	-	-	-	544,430	544,430
Occupancy	422,681	12,132	90,875	-	525,688
Professional fees	211,874	23,540	43,687	-	279,101
Rent and facility	-	-	-	186,594	186,594
Advertising and promotion	132,054	55	723	-	132,832
Depreciation	85,730	2,603	18,968	-	107,301
Membership/research	91,456	211	8,885	-	100,552
Bad debt	-	75,000	-	-	75,000
Activity fee	67,941	-	-	-	67,941
Insurance	51,858	1,559	11,414	-	64,831
Travel	47,082	274	12,059	-	59,415
Telephone	42,287	728	7,142	-	50,157
BBBSA dues	48,693	-	-	-	48,693
Business meetings	28,845	671	10,660	-	40,176
Charge card fees	-	38,924	-	-	38,924
Printing	11,239	159	25,493	-	36,891
Postage	8,590	198	26,972	-	35,760
In-kind expense	31,791	-	-	-	31,791
Equipment rental and maintenance	19,938	520	9,030	-	29,488
Non-capital equipment	15,995	449	3,637	-	20,081
Office supplies	13,949	202	5,244	-	19,395
Conferences/training	14,027	87	1,427	-	15,541
Volunteer stewardship	5,834	583	2,173	-	8,590
Interest	573	9	95	-	677
	<u>5,621,242</u>	<u>356,433</u>	<u>1,215,647</u>	<u>2,115,613</u>	<u>9,308,935</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,613</u>	<u>2,115,613</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$ 5,621,242</u></u>	<u><u>\$ 356,433</u></u>	<u><u>\$ 1,215,647</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,193,322</u></u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating activities:		
Changes in net assets	\$ (1,065,771)	\$ (1,132,532)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Bad debt	74,844	75,000
Depreciation	76,093	107,301
Unrealized and realized gains (losses) on investments	46,623	(47,209)
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	825,865	1,211,122
Grants receivable	53,141	(82,098)
Prepaid expenses and other current assets	161,049	(72,940)
Increase (decrease) in:		
Accounts payable	(91,942)	59,394
Accrued expenses	(143,017)	(59,917)
Deferred revenue	170,701	(28,019)
Deferred lease incentive	<u>(30,057)</u>	<u>(103,122)</u>
Net cash provided by (used in) operating activities	<u>77,529</u>	<u>(73,020)</u>
Investing activities:		
Purchase of property and equipment	(277,405)	(63,270)
Proceeds from sale of investments	1,891,082	2,044,723
Purchase of investments	<u>(1,945,332)</u>	<u>(1,720,430)</u>
Net cash provided by (used in) investing activities	<u>(331,655)</u>	<u>261,023</u>
Financing activities:		
Payments of capital lease obligations	<u>(13,210)</u>	<u>(17,684)</u>
Net cash used in financing activities	<u>(13,210)</u>	<u>(17,684)</u>
Net increase (decrease) in cash and cash equivalents	(267,336)	170,319
Cash and cash equivalents - beginning	<u>2,929,813</u>	<u>2,759,494</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,662,477</u>	<u>\$ 2,929,813</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	<u>\$ 926</u>	<u>\$ 677</u>
Supplemental disclosures of noncash investing and financing activity:		
Assets acquired through capital lease obligations	<u>\$ 41,264</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1. ORGANIZATION

Big Brothers Big Sisters of Eastern Massachusetts, Inc. (the "Organization") is an innovative, energetic Massachusetts nonprofit organization, incorporated on February 24, 1949. The mission of the Organization is to make a real difference in the lives of local youths by providing them with an invested, caring adult mentor. With research and proven outcomes at its core, the Organization is working to ensure every child has the support from caring adults that they need for healthy development and success in life. The Organization's vision is to inspire, engage and transform communities in Eastern Massachusetts by helping youth achieve their full potential, contributing to healthier families, better schools, brighter futures and stronger communities.

Effective August 5, 2019, the Organization changed its name from Big Brothers Big Sisters of Massachusetts Bay, Inc to Big Brothers Big Sisters of Eastern Massachusetts, Inc.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Subtopic *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net Assets With Donor Restrictions - Net assets subject to stipulation by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor had stipulated the funds be maintained in perpetuity.

Comparative Totals

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 ("U.S. GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019 from which the summarized information was derived.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash and cash equivalents, except for temporary investments that are managed by external investment managers as part of their long-term strategies and are carried at cost, which approximates fair value.

Concentration of Credit Risk

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, temporary investments and contributions receivable. The Organization maintains its cash and temporary investments with high credit quality institutions. At times, such amounts may be in excess of FDIC insurance limitations. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk. The Organization has unconditional promises to give that are expected to be collected in future years, recorded at the present value of their estimated future cash flows. The Organization routinely assesses the collectibility of its contributions receivables and believes that credit risk exposure is limited.

Contributions Receivable

Contributions receivable include an allowance for doubtful accounts based on management's evaluation of outstanding balances at the end of the year. An allowance is made for uncollectible pledges based on management's judgment, past collection experience and other relevant factors. The allowance for doubtful accounts totaled \$30,000 and \$28,699 at June 30, 2020 and 2019, respectively.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at estimated fair value on the date of contribution. The cost or carrying value of the assets is depreciated or amortized using the straight-line method over the respective estimated useful lives as follows:

	<u>Years</u>
Leasehold Improvements	5 - 7 years
Office Equipment	3 - 10 years

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with the FASB ASC Topic *Property, Plant and Equipment*. The Topic requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. At June 30, 2020 and 2019, the Organization has determined that no long-lived assets are impaired.

Investments and Investment Earnings

The Organization invests in marketable securities primarily consisting of mutual funds, equity securities, money market funds, and exchange traded funds. All investments have been reported at fair value. The fair value of these investments is based upon quotes from the principal exchanges on which the securities are traded. Net investment gains and losses are included in the statement of activities and changes in net assets and consists of interest and dividend income, net of investment expenses, and realized and unrealized capital gains and losses.

Total investment return is reported in non-operating activities on the statement of activities and changes in net assets as availability of endowment funds are subject to the Organization's endowment spending policy. Amounts available for operation are reported as endowment assets appropriated for operations in operating activities with a corresponding decrease in endowment assets appropriated for operations in non-operating activities.

Furthermore, dividends, interest, and realized and unrealized gains on long-term investments are reported as follows:

- Increases in net assets with donor restrictions if the terms of the contribution require these to be added to the principal;
- Increase in net assets with donor restrictions if the terms of the contribution, or the Organization's interpretation of relevant state law, imposes restrictions on the use of the income and gains; and
- Increase in net assets without donor restrictions in all other cases.

The Organization follows the provisions of FASB ASC Subtopic 958-205-45, *Other Presentation Matters*, in regard to reporting endowment funds. This section provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA").

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Return Objectives and Risk Parameters

The Organization's investment objective is to achieve a total return sufficient to provide resources needed for the ongoing service mission and operational needs of the Organization and to achieve real growth in capital net of distributions, expenses and inflation. This objective has been established in conjunction with a comprehensive review of the current and projected financial requirements of the Organization and is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective.

The asset composition established by the Board of Directors represents a long-term perspective. As such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature. The current asset allocation will be monitored and reviewed at least quarterly by the Finance and Audit Committee relative to the established minimum and maximum range for each asset class.

To ensure divergence from the target policy is within allocation ranges rebalancing of assets may be necessary.

Spending Policy and How the Investment Objectives Relate to the Spending Policy

The Organization has a policy of appropriating for spending at a rate that must be sustainable for the long term and balance the dual needs of supporting current operational needs and preserving the value of the investable assets and its income distribution in perpetuity. The Organization's policy is based on the assumption that the spending policy over the long term will not exceed 5% of the average of the fund's previous 12 quarter ending market value, net of fees. The Board of Directors approves the draw rate on an annual basis. The approved appropriation from accumulated appreciation on invested net assets with donor restrictions was \$150,000 and \$170,000 for the years ended June 30, 2020 and 2019, respectively. There was no approved appropriation on board designated net assets for the year ended June 30, 2020. The approved appropriation from accumulated appreciation on board designated net assets was \$20,000 for the year ended June 30, 2019.

In establishing its spending policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization's spending policies are conservative and, as such, support the long-term objectives of preserving the purchasing power of the endowment in perpetuity thereby sustaining its ability to support future programs and to provide additional real growth through new gifts and investment return.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

- Level 1** - Quoted market prices that are available in active markets for identical assets or liabilities. The types of financial instruments included in Level 1 are marketable equity available for sale securities that are traded in an active exchange market.
- Level 2** - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Instruments included in this category are warrants and derivatives whose value is determined using pricing models with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.
- Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2020 and 2019.

- The fair value of money market funds, mutual funds, equity securities and exchange traded funds are valued based upon quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended June 30, 2020 and 2019, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or change in net assets.

Revenue Recognition

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions.

Year Ended June 30, 2020

The Organization adopted ASC Topic 606, *Revenue from Contracts with Customers* ("Topic 606") on July 1, 2019. With the adoption of Topic 606, revenue is measured based on the consideration specified in a contract with a customer, and excludes any amounts collected on behalf of third parties. Under Topic 606, the Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. The majority of the Organization's services represent a bundle of services that are not capable of being distinct and as such, are treated as a single performance obligation that is satisfied as the services are rendered. The Organization determines the transaction price based on contractually agreed upon rates, adjusted for any variable consideration, if any.

The Organization holds various special events throughout the course of the year. Special events revenue is recognized over the period the event takes place.

Year Ended June 30, 2019

For the year ended June 30, 2019, the Organization recognized revenue when (1) the service was performed and the Organization had no significant obligations remaining to be performed; (2) a final understanding as to specific nature and terms of the agreed upon transaction had occurred; (3) price was fixed and determinable; and (4) collection was assured. Services generally met these criteria, and revenue was recognized, when services were rendered.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions

Contributions of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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 statement of activities as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Grants and contributions received with donor-imposed or grantor-imposed restrictions that are fulfilled in the same year as received are reported as support without donor restrictions.

Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment of potential defaults.

Disaggregation of Revenues

The Organization operates as a nonprofit organization to match adult mentors with local youths. The Organization's viability is dependent on the strength of the regional economy and its ability to generate revenue from donors and fundraising events and its ability to collect these amounts.

Contract Liabilities

Contract liabilities include special event revenue received by the Organization prior to the fiscal year end for special events occurring in the next fiscal year. Contract liabilities are presented as deferred revenue in the accompanying statements of financial position. Deferred revenue was \$305,432, \$134,731 and \$162,750 at June 30, 2020, 2019 and 2018, respectively.

Operations

The statements of activities and changes in net assets report the changes in net assets without donor restrictions from operating and non-operating activities. Operating activities consist of those revenues and expenses related to program services, fundraising and development and general and administrative activities of the Organization. It also includes endowment earnings appropriated for operations under the Organization's spending policy and net assets released from restrictions. Non-operating activities consist of contributions for long-term investment and investment earnings, as well as unusual items or other items not directly related to the Organization's program services, fundraising and development and general and administrative activities.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code ("the Code") and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization files informational tax returns in the U.S. federal and Massachusetts state jurisdictions. Management believes that the Organization has no material uncertain tax positions.

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expenses incurred during the years ended June 30, 2020 and 2019 were \$131,961 and \$132,832, respectively.

Functional Expenses

The costs of providing various and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is consistently applied. Employee compensation and related expenses are allocated on the basis of time and effort. Other expenses including occupancy, professional fees, advertising, depreciation and membership/research are allocated based on the nature of the expense and the program benefiting from it.

Reclassification

Certain amounts included in the 2019 financial statements have been reclassified to conform with the 2020 presentation. These reclassifications had no effect on net assets or changes in net assets.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Implemented Accounting Pronouncements

Revenue from Contracts with Customers - In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“Topic 606”), with several clarifying updates issued subsequently. In conjunction with Topic 606, a new subtopic, ASC 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, was also issued. The updated standard replaces most existing revenue recognition and certain cost guidance under U.S. GAAP. Collectively, the Organization refers to Topic 606 and Subtopic 340-40 as “ASC 606”. ASC 606 amends existing accounting standards for revenue recognition and establishes principles for recognizing revenue upon the transfer of promised goods or services to customers based on the expected consideration to be received in exchange for those goods and services. The Organization adopted ASC 606 effective July 1, 2019 using the modified retrospective approach. Use of the modified retrospective approach means the Organization’s comparative periods prior to initial application are not restated. The Organization has determined that the adjustments using the modified retrospective approach did not have a material impact on the date of the initial application along with the disclosure of the effect on prior periods. The Organization did not apply any practical expedients in implementing ASC 606.

Contributions - In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (“ASU 2018-08”), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization adopted ASU 2018-08 effective July 1, 2019 using the modified prospective method. Under the modified prospective method, the amendments are applied to agreements that are either not completed as of the effective date or entered into after the effective date. The Organization has determined that the application of the amendments of ASU 2018-08 did not have a material impact on the Organization’s financial statements and related disclosures.

Financial Instruments - In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments-Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities* (ASU 2016-01), which changes the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. In February 2018, the FASB issued ASU 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall* (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*. Specifically, the amendments include clarifications related to: measurement elections, transition requirements, and adjustments associated with equity securities without readily determinable fair values; and fair value measurement requirements for forward contracts and purchased options on equity securities. The new standard was effective for years beginning after December 15, 2018. The Organization adopted ASU 2016-01 as of July 1, 2019 and there was no effect to opening balances as a result of the adoption.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and enhanced disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU No. 2018-10, *Codification Improvements to Topic 842* and ASU No. 2018-11, *Leases: Targeted Improvements* which provided narrow amendments to clarify how to apply certain aspects of the new leases standard and options regarding transition. The standard requires either a modified retrospective transition approach with application in all comparative periods presented, or an alternative transition method, which permits the Organization to use its effective date as the date of initial application without restating the comparative period financial statements and recognizing any cumulative effect adjustment to the opening balance sheet. In June 2020, the FASB issued ASU No. 2020-05 *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*. ASU 2020-05 amended the effective date for ASU 2016-02 and related amendments. ASU 2016-02, as amended, is effective for fiscal years beginning after December 15, 2021. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2020, through the date which the financial statements were available to be issued, November 5, 2020, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,662,477
Contributions receivable, net	3,964,528
Grants receivable	128,364
Investments	<u>3,839,556</u>
Total financial assets at year-end	<u>10,594,925</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	4,943,921
Endowment designated by board	<u>1,276,733</u>
	<u>6,220,654</u>
Add net assets with restrictions to be met in less than a year	<u>1,727,319</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,101,590</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3. AVAILABILITY AND LIQUIDITY (CONTINUED)

The Organization's goal is to maintain readily available financial assets to meet six months of the current operation budget available at year end and no less than four months available at each month end. The Organization has a \$500,000 line of credit available to meet cash flow needs. Although not expected to be needed, the spendable yet board designated portion of the Organization's net assets could be used to meet cash needs if necessary.

NOTE 4. CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Total contributions receivable:	\$ 4,058,019	\$ 4,985,677
Less:		
Allowances	30,000	28,699
Unamortized discount	<u>63,491</u>	<u>91,741</u>
Net contributions receivable	<u>\$ 3,964,528</u>	<u>\$ 4,865,237</u>
Total contributions receivable:		
Receivable in less than one year	\$ 2,455,019	\$ 2,809,678
Receivable in one to five years	<u>1,603,000</u>	<u>2,175,999</u>
	<u>\$ 4,058,019</u>	<u>\$ 4,985,677</u>

The Organization uses a 3% discount rate for these contributions receivable.

NOTE 5. INVESTMENTS

The following is a summary of investments at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Money market	\$ 241,163	\$ 106,759
Equity securities	1,895,312	1,988,820
Fixed income funds	1,223,048	1,227,778
Exchange traded funds	234,460	240,561
Alternatives	151,773	172,625
Mutual funds	<u>93,800</u>	<u>95,386</u>
	3,839,556	3,831,929
Less current portion of investments	<u>599,956</u>	<u>449,246</u>
	<u>\$ 3,239,600</u>	<u>\$ 3,382,683</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5. INVESTMENTS (CONTINUED)

The composition of the investment return as reported in statement of activities for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Income from long-term investments consisting of dividends, interest and capital gains	\$ 111,432	\$ 118,948
Investment fees	(30,859)	(31,796)
Net realized losses on investments	(17,975)	(56,680)
Net unrealized gains (losses) on investments	<u>(28,648)</u>	<u>103,889</u>
	<u>\$ 33,950</u>	<u>\$ 134,361</u>

NOTE 6. FAIR VALUE MEASUREMENTS

The following fair value hierarchy tables present information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2020:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
Assets at fair value:				
Money market	\$ 241,163	\$ -	\$ -	\$ 241,163
Equity securities:				
U.S. large cap	1,348,953	-	-	1,348,953
Developed international	308,105	-	-	308,105
U.S. small cap	131,010	-	-	131,010
Emerging markets	91,537	-	-	91,537
Real estate investment trusts	15,707	-	-	15,707
Fixed income:				
Corporate bonds	939,387	-	-	939,387
High yield bonds	283,661	-	-	283,661
Exchange traded funds:				
Large blend	101,760	-	-	101,760
Equity energy	11,355	-	-	11,355
Technology	52,245	-	-	52,245
International	21,318	-	-	21,318
Financial	27,768	-	-	27,768
Health	20,014	-	-	20,014
Alternatives:				
Allocation funds	151,773	-	-	151,773
Mutual funds:				
Short term bond	<u>93,800</u>	<u>-</u>	<u>-</u>	<u>93,800</u>
Total	<u>\$ 3,839,556</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,839,556</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

The following fair value hierarchy tables present information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2019:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Cash equivalents	\$ 106,759	\$ -	\$ -	\$ 106,759
Equity securities:				
U.S. large cap	1,407,111	-	-	1,407,111
Developed international	336,808	-	-	336,808
U.S. small cap	142,283	-	-	142,283
Emerging markets	102,618	-	-	102,618
Fixed income:				
Corporate bonds	930,992	-	-	930,992
High yield bonds	296,786	-	-	296,786
Exchange traded funds:				
Large blend	107,800	-	-	107,800
Equity energy	19,113	-	-	19,113
Technology	39,020	-	-	39,020
International	22,980	-	-	22,980
Financial	33,120	-	-	33,120
Health	18,528	-	-	18,528
Alternatives:				
Allocation funds	172,625	-	-	172,625
Mutual funds:				
Short term bonds	<u>95,386</u>	<u>-</u>	<u>-</u>	<u>95,386</u>
Total	<u>\$ 3,831,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,831,929</u>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 596,487	\$ 436,067
Office equipment	<u>437,405</u>	<u>392,671</u>
	1,033,892	828,738
Less accumulated depreciation	<u>660,915</u>	<u>698,337</u>
	<u>\$ 372,977</u>	<u>\$ 130,401</u>

NOTE 8. LINE OF CREDIT

The Organization has an unsecured demand line of credit renewable annually with a financial institution for \$500,000. Interest is payable monthly at the higher of the bank's base lending rate or 4% (4.00% and 5.50% at June 30, 2020 and 2019, respectively). There were no outstanding borrowings at June 30, 2020 and 2019.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 9. PAYCHECK PROTECTION PROGRAM

On April 21, 2020 the Organization received loan proceeds of \$880,300 under the Paycheck Protection Program (“PPP”). The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times certain average monthly payroll expenses of the qualifying business. The loan and accrued interest, or a portion thereof, may be forgiven after 24 weeks so long as the borrower uses the loan proceeds for eligible purposes including payroll, benefits, rent, mortgage interest and utilities, and maintains its payroll levels, as defined by the PPP. At least 60% of the loan proceeds must be spent on payroll costs, as defined by the PPP, for the loan to be eligible for forgiveness. The amount of loan forgiveness will be reduced by any amounts received by the Organization as an advance as part of the Economic Injury Disaster Loan (“EIDL”) program, made available through the Small Business Administration, that is ultimately converted to a grant.

The PPP loan matures two years from the date of first disbursement of proceeds to the Organization (the “PPP Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for six months or until the date the lender receives the forgiveness amount, and payable in equal consecutive monthly installments of principal and interest commencing at that point.

The Organization currently intends to use the proceeds for purposes consistent with the PPP, however, there can be no assurances that the Organization will ultimately meet the conditions for forgiveness of the loan or that management will not take actions that could cause the Organization to be ineligible for forgiveness of the loan, in whole or in part.

U.S. GAAP does not contain authoritative accounting standards for forgivable loans provided by governmental entities. Absent authoritative accounting standards, interpretative guidance issued and commonly applied by financial statement preparers allow for the selection of accounting policies amongst acceptable alternatives. Based on the facts and circumstances, the Organization has determined it most appropriate to account for the PPP loan proceeds under the conditional contribution model within ASC 958-605. Under the conditional contribution model, the Organization recognizes the proceeds received as a refundable advance, and subsequently recognizes grant revenue as the conditions are met. Conditions are deemed to be met as the allowable expenses are incurred. The Organization deemed the conditional contribution model to be the most appropriate accounting policy for this arrangement based on the nature of the PPP loan program. The Organization recognized \$880,300 in grant revenue under the PPP loan program during the year ended June 30, 2020.

NOTE 10. NET ASSETS

Net assets with donor restrictions that are perpetual in nature at both June 30, 2020 and 2019 totaled \$1,747,761, which is included in the Organization's endowment.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10. NET ASSETS (CONTINUED)

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>	<u>2019</u>
Time restricted	\$ 2,940,286	\$ 3,867,036
Educational advocacy, scholarship and activities	375,208	397,488
Appreciation (depreciation) on restricted funds	(119,334)	14,210
Endowment fund, perpetual in nature	<u>1,747,761</u>	<u>1,747,761</u>
	<u>\$ 4,943,921</u>	<u>\$ 6,026,495</u>

The Organization also has \$1,276,733 and \$1,263,993 at June 30, 2020 and 2019, respectively, functioning as endowment which has been designated by the board.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
Time restricted	\$ 1,975,000	\$ 1,336,724
Educational advocacy, scholarship and activities	<u>20,000</u>	<u>20,000</u>
	<u>\$ 1,995,000</u>	<u>\$ 1,356,724</u>

NOTE 11. ENDOWMENTS

The Organization's endowment includes funds restricted by donors as well as funds without donor restriction designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The income generated by the donor-restricted endowment funds is available for the Organization's general operations and is recorded as revenue with donor restrictions until appropriated for expenditures.

Endowment composition by net asset category, at fair value, is as follows as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions	\$ 1,628,427	\$ 1,761,971
Net assets without donor restrictions	<u>1,276,733</u>	<u>1,263,993</u>
Total endowment net assets	<u>\$ 2,905,160</u>	<u>\$ 3,025,964</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 11. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2020 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment balance, June 30, 2019	\$ <u>1,263,993</u>	\$ <u>1,761,971</u>	\$ <u>3,025,964</u>
Investment return:			
Income	37,332	52,040	89,372
Net depreciation	(14,162)	(19,741)	(33,903)
Investment management fees	<u>(10,430)</u>	<u>(15,843)</u>	<u>(26,273)</u>
Total investment return	12,740	16,456	29,196
Appropriated for expenditure	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Endowment balance, June 30, 2020	\$ <u><u>1,276,733</u></u>	\$ <u><u>1,628,427</u></u>	\$ <u><u>2,905,160</u></u>

Changes in endowment net assets for the year ended June 30, 2019 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment balance, June 30, 2018	\$ <u>1,242,734</u>	\$ <u>1,850,533</u>	\$ <u>3,093,267</u>
Investment return:			
Income	36,530	54,396	90,926
Net appreciation	14,113	21,086	35,199
Investment management fees	<u>(9,384)</u>	<u>(14,044)</u>	<u>(23,428)</u>
Total investment return	41,259	61,438	102,697
Appropriated for expenditure	<u>(20,000)</u>	<u>(150,000)</u>	<u>(170,000)</u>
Endowment balance, June 30, 2019	\$ <u><u>1,263,993</u></u>	\$ <u><u>1,761,971</u></u>	\$ <u><u>3,025,964</u></u>

NOTE 12. BENEFIT PLANS

The Organization has a defined contribution money purchase retirement plan for eligible employees. The plan provides for bi-monthly contributions up to 5% of eligible compensation. The Organization did not make any employer contributions to the plan in 2020 and 2019.

The Organization also maintains a 403(b) retirement plan for employees. Eligible employees may elect to make bi-monthly contributions to the plan. The Organization made matching contributions of \$77,423 and \$74,329 to the plan in 2020 and 2019, respectively.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 13. RELATED PARTY

The Organization is related by common board members to the Big Brother Big Sister Foundation, Inc. (the "Foundation"). The Foundation did not make a contribution to the Organization during the years ended June 30, 2020 and 2019.

The Organization is related by affiliation to Big Brothers Big Sisters of America ("BBBSA"). The Organization paid dues and fees of \$66,068 and \$48,693 to BBBSA during the years ended June 30, 2020 and 2019, respectively. Amounts prepaid to BBBSA at June 30, 2020 and 2019 were \$27,630 and \$24,885, respectively, and are included in prepaid expenses and other current assets in the accompanying statements of financial position. The Organization, as a subgrantee, may receive grant revenue from BBBSA. During the years ended June 30, 2020 and 2019, the Organization recognized \$402,927 and \$216,138, respectively, of grant revenue from BBBSA. At June 30, 2020, the Organization had accounts receivable outstanding from BBBSA of \$128,364. There were no amounts outstanding from BBBSA at June 30, 2019.

NOTE 14. CAPITAL LEASE OBLIGATIONS

The Organization leases equipment under capital lease obligations expiring on various dates through January 2024. The Organization's monthly capital lease payments range from \$202 to \$1,328, including principal and interest, through 2024. Assets under capital lease obligations are included in property and equipment and totaled \$41,264 and \$67,999 at June 30, 2020 and 2019, respectively. Accumulated depreciation of the assets under capital lease obligation amounted to \$4,459 and \$59,248 at June 30, 2020 and 2019, respectively.

Future minimum lease obligations for the years ending June 30 are as follows:

<u>Years</u>	<u>Amount</u>
2021	\$ 11,125
2022	11,125
2023	11,125
2024	<u>6,046</u>
	39,421
Less amounts representing interest	<u>2,616</u>
Present value of future minimum lease payments	36,805
Less current portion	<u>9,897</u>
Long-term portion	<u>\$ 26,908</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 15. COMMITMENTS & CONTINGENCIES

Operating Lease Commitments

During June 2014, the Organization amended their lease agreement for the Boston office which expired during December of 2019. The amendment included an amount for a construction allowance for certain leasehold improvements, in addition to a lease credit, as defined in the agreement. The Organization, in the accompanying statements of financial position, has recognized this amount as deferred lease incentive and amortized this amount as occupancy expense over the lease term. At June 30, 2019, the deferred lease incentive was \$30,057. The deferred lease incentive was fully amortized during the current year.

During October 2019, the Organization signed a new lease agreement at a new location for their Boston office. The lease commenced on January 2020 and has a term of seven years with an optional five year extension. Occupancy expense including rent, common area maintenance and utility charges under both Boston offices was \$464,557 and \$500,116 for the years ended June 30, 2020 and 2019, respectively.

During June 2015, the Organization entered into a lease agreement for office space in Hyannis, which was extended through May 31, 2025. Occupancy expenses were \$22,926 and \$23,374 for the years ended June 30, 2020 and 2019 respectively.

Future minimum lease payments are as follows:

2021	\$ 413,148
2022	423,094
2023	433,040
2024	442,986
2025	450,532
Thereafter	<u>653,380</u>
	<u>\$ 2,816,180</u>

Letter of Credit

In connection with its new Boston office lease, the Organization secured a letter of credit from its bank to act in lieu of a security deposit, as allowed by the lease agreement. Commitments under standby letters of credit totaled approximately \$93,660 at June 30, 2020. There were no standby letters of credit at June 30, 2019.

Uncertainty

In March 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern". Disruptions to business operations could occur as a result of quarantines of employees or mentors, closures of third-party vendor's manufacturing facilities and logistics supply chains, and reduction in revenue and support from third-party donors. Given the uncertainty of the situation, the duration of the business interruption and related financial impact cannot be reasonably estimated at this time.