

**BIG BROTHERS BIG SISTERS
OF EASTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

**BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements	
Statements of Financial Position	3 - 4
Statements of Activities and Changes in Net Assets	5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 26

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated November 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
December 29, 2021

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 4,530,933	\$ 2,662,477
Current portion of contributions receivable, net of allowance	1,565,529	2,425,019
Grants and other receivables	617,623	128,364
Current portion of investments	898,307	599,956
Prepaid expenses and other current assets	<u>380,328</u>	<u>376,011</u>
Total current assets	<u>7,992,720</u>	<u>6,191,827</u>
Property and equipment, net	<u>289,851</u>	<u>372,977</u>
Other assets:		
Contributions receivable, net of current portion and discount	1,202,281	1,539,509
Investments, net of current portion	3,886,555	3,239,600
Security deposit	<u>1,600</u>	<u>1,600</u>
Total other assets	<u>5,090,436</u>	<u>4,780,709</u>
 TOTAL ASSETS	 <u>\$ 13,373,007</u>	 <u>\$ 11,345,513</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
Current liabilities:		
Current portion of capital lease obligations	\$ 10,275	\$ 9,897
Accounts payable	95,229	51,207
Accrued expenses	460,943	445,443
Deferred revenue	<u>358,191</u>	<u>305,432</u>
Total current liabilities	924,638	811,979
Long-term liabilities:		
Capital lease obligations, net of current portion	16,977	26,908
Refundable advance	<u>506,933</u>	<u>-</u>
Total liabilities	<u>1,448,548</u>	<u>838,887</u>
Net assets:		
Without donor restrictions	7,625,385	5,562,705
With donor restrictions	<u>4,299,074</u>	<u>4,943,921</u>
Total net assets	<u>11,924,459</u>	<u>10,506,626</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,373,007</u>	<u>\$ 11,345,513</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, 2021, (With Comparative Totals for the Year Ended June 30, 2020)

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and other support:				
Special events	\$ 3,373,570	\$ -	\$ 3,373,570	\$ 2,572,759
Less cost of direct benefit to donor	<u>(908,791)</u>	<u>-</u>	<u>(908,791)</u>	<u>(1,425,083)</u>
Net revenues from special events	2,464,779	-	2,464,779	1,147,676
Individuals	1,342,625	15,772	1,358,397	2,991,839
Corporations, foundations, government and United Way	1,317,808	-	1,317,808	1,495,359
Other revenue	78,381	-	78,381	22,873
Grant income - paycheck protection program loan	500,000	-	500,000	880,300
Government assistance income	880,775	-	880,775	-
Net assets released from restrictions	1,009,442	(1,009,442)	-	-
Endowment appropriation	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total revenues and other support	<u>7,743,810</u>	<u>(993,670)</u>	<u>6,750,140</u>	<u>6,688,047</u>
Expenses:				
Program services	5,116,695	-	5,116,695	6,225,665
General and administrative	365,258	-	365,258	337,901
Fundraising and development	<u>666,801</u>	<u>-</u>	<u>666,801</u>	<u>1,074,202</u>
Total expenses	<u>6,148,754</u>	<u>-</u>	<u>6,148,754</u>	<u>7,637,768</u>
Changes in net assets from operating activities	<u>1,595,056</u>	<u>(993,670)</u>	<u>601,386</u>	<u>(949,721)</u>
Non-operating activity:				
Income from investments, net of fees	25,845	25,007	50,852	80,573
Net realized and unrealized gains on investments	441,779	473,816	915,595	(46,623)
Endowment appropriation	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>	<u>(150,000)</u>
Changes in net assets from non-operating activity	<u>467,624</u>	<u>348,823</u>	<u>816,447</u>	<u>(116,050)</u>
Changes in net assets	2,062,680	(644,847)	1,417,833	(1,065,771)
Net assets - beginning	<u>5,562,705</u>	<u>4,943,921</u>	<u>10,506,626</u>	<u>11,572,397</u>
NET ASSETS - ENDING	<u><u>\$ 7,625,385</u></u>	<u><u>\$ 4,299,074</u></u>	<u><u>\$ 11,924,459</u></u>	<u><u>\$ 10,506,626</u></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, 2021, (With Comparative Totals for the Year Ended June 30, 2020)

	2021				2020	
	Program Services	Supporting Services			Total	Totals
		General and Administrative	Fundraising and Development	Direct Benefit to Donors		
Payroll	\$ 3,203,855	\$ 202,676	\$ 370,696	\$ 387,211	\$ 4,164,438	\$ 5,385,844
Benefits	728,366	22,891	75,349	51,390	877,996	988,742
Occupancy	368,129	27,842	45,961	-	441,932	502,456
Professional fees	160,860	43,302	97,608	-	301,770	316,354
Rent and facility	-	-	-	216,412	216,412	109,745
Other direct	-	-	-	191,197	191,197	408,117
Advertising and promotion	92,844	70	449	-	93,363	131,961
Membership/research	84,533	463	7,873	-	92,869	113,706
Depreciation	69,244	5,237	8,645	-	83,126	76,093
BBBSA dues	73,259	-	-	-	73,259	66,068
Insurance	61,006	4,614	7,617	-	73,237	68,876
In-kind expense	71,357	-	-	-	71,357	6,493
Telephone	58,808	3,502	8,207	-	70,517	52,898
Food, beverage and entertainment	-	-	-	62,581	62,581	473,255
Miscellaneous	43,233	3,307	5,460	-	52,000	-
Activity fee	38,124	-	-	-	38,124	37,102
Equipment rental and maintenance	22,839	1,719	2,838	-	27,396	36,432
Bad debt	-	25,000	-	-	25,000	74,844
Charge card fees	-	23,891	-	-	23,891	20,217
Printing	1,401	21	16,935	-	18,357	17,995
Scholarships and camperships	13,000	-	-	-	13,000	-
Travel	6,906	261	5,512	-	12,679	52,215
Postage	2,818	106	7,237	-	10,161	16,041
Business meetings	4,894	164	2,661	-	7,719	21,123
Volunteer stewardship	3,238	-	1,492	-	4,730	5,083
Conferences/training	4,454	-	225	-	4,679	4,996
Office supplies	1,162	34	1,774	-	2,970	15,281
Non-capital equipment	1,232	88	146	-	1,466	1,182
Interest	1,133	70	116	-	1,319	926
Moving expenses	-	-	-	-	-	58,806
	<u>5,116,695</u>	<u>365,258</u>	<u>666,801</u>	<u>908,791</u>	<u>7,057,545</u>	<u>9,062,851</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>908,791</u>	<u>908,791</u>	<u>1,425,083</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,116,695</u>	<u>\$ 365,258</u>	<u>\$ 666,801</u>	<u>\$ -</u>	<u>\$ 6,148,754</u>	<u>\$ 7,637,768</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

	2020				
	Program Services	Supporting Services			Total
		General and Administrative	Fundraising and Development	Direct Benefit to Donors	
Payroll	\$ 4,073,979	\$ 186,531	\$ 742,707	\$ 382,627	\$ 5,385,844
Benefits	820,404	30,685	86,314	51,339	988,742
Occupancy	402,353	13,125	86,978	-	502,456
Food, beverage and entertainment	-	-	-	473,255	473,255
Other direct	-	-	-	408,117	408,117
Professional fees	262,689	3,886	49,779	-	316,354
Advertising and promotion	127,502	213	4,246	-	131,961
Membership/research	102,672	168	10,866	-	113,706
Rent and facility	-	-	-	109,745	109,745
Depreciation	60,933	1,988	13,172	-	76,093
Bad debt	-	74,844	-	-	74,844
Insurance	55,154	1,799	11,923	-	68,876
BBBSA dues	66,068	-	-	-	66,068
Moving expenses	47,090	1,536	10,180	-	58,806
Telephone	44,676	829	7,393	-	52,898
Travel	44,159	-	8,056	-	52,215
Activity fee	37,102	-	-	-	37,102
Equipment rental and maintenance	29,210	947	6,275	-	36,432
Business meetings	13,752	347	7,024	-	21,123
Charge card fees	-	20,217	-	-	20,217
Printing	6,047	121	11,827	-	17,995
Postage	5,960	173	9,908	-	16,041
Office supplies	10,774	286	4,221	-	15,281
In-kind expense	6,493	-	-	-	6,493
Volunteer stewardship	2,855	51	2,177	-	5,083
Conferences/training	4,105	100	791	-	4,996
Non-capital equipment	946	31	205	-	1,182
Interest	742	24	160	-	926
	<u>6,225,665</u>	<u>337,901</u>	<u>1,074,202</u>	<u>1,425,083</u>	<u>9,062,851</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>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 6,225,665</u>	<u>\$ 337,901</u>	<u>\$ 1,074,202</u>	<u>\$ -</u>	<u>\$ 7,637,768</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, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Changes in net assets	\$ 1,417,833	\$ (1,065,771)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt	25,000	74,844
Depreciation	83,126	76,093
Unrealized and realized (gains) losses on investments	(915,595)	46,623
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	1,171,718	825,865
Grants and other receivables	(489,259)	53,141
Prepaid expenses and other current assets	(4,317)	161,049
Increase (decrease) in:		
Accounts payable	44,022	(91,942)
Accrued expenses	15,500	(143,017)
Deferred revenue	52,759	170,701
Deferred lease incentive	-	(30,057)
Refundable advance	<u>506,933</u>	<u>-</u>
Net cash provided by operating activities	<u>1,907,720</u>	<u>77,529</u>
Investing activities:		
Purchase of property and equipment	-	(277,405)
Proceeds from sale of investments	889,652	1,891,082
Purchase of investments	<u>(919,363)</u>	<u>(1,945,332)</u>
Net cash used in investing activities	<u>(29,711)</u>	<u>(331,655)</u>
Financing activities:		
Payments of capital lease obligations	<u>(9,553)</u>	<u>(13,210)</u>
Net cash used in financing activities	<u>(9,553)</u>	<u>(13,210)</u>
Net increase (decrease) in cash and cash equivalents	1,868,456	(267,336)
Cash and cash equivalents - beginning	<u>2,662,477</u>	<u>2,929,813</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,530,933</u>	<u>\$ 2,662,477</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	<u>\$ 1,319</u>	<u>\$ 926</u>
Supplemental disclosures of noncash investing and financing activity:		
Assets acquired through capital lease obligations	<u>\$ -</u>	<u>\$ 41,264</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1. ORGANIZATION

Big Brothers Big Sisters of Eastern Massachusetts, Inc. (the "Organization") a Massachusetts nonprofit organization, is making a real difference in the lives of nearly 3,000 youth annually by providing them with an invested, caring adult mentor in long-term, professionally supported relationships. With research and proven outcomes at its core, Big Brothers Big Sisters of Eastern Massachusetts is working to defend the potential of children facing adversity and 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, more confident futures and stronger communities. Throughout its 70 years, the largest Big Brothers Big Sisters affiliate in New England has created and served more than 20,000 matches.

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, 2020 from which the summarized information was derived.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 \$42,286 and \$30,000 at June 30, 2021 and 2020, 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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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 for the years ended June 30, 2021 and 2020, respectively. There was no approved appropriation on board designated net assets for the year ended June 30, 2021 and 2020.

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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020.

- 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
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021 and 2020, 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.

The Organization recognizes revenue under ASC Topic 606, *Revenue from Contracts with Customers* ("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.

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.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions (continued)

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 \$358,191, \$305,432 and \$134,731 at June 30, 2021, 2020 and 2019, 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.

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.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Status (continued)

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, 2021 and 2020 were \$93,363 and \$131,961, 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.

Recently Issued But Not Yet Effective Accounting Pronouncements

Leases - In February 2016, the FASB issued Accounting Standards Update ("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 balance sheet 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 currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

In-kind Contributions - In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ("ASU 2020-07"), which is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This ASU is effective for annual periods beginning after June 15, 2021, with early adoption permitted. The Organization is evaluating the effect that ASU 2020-07 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, 2021, through the date which the financial statements were available to be issued, December 29, 2021, 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, 2021:

Financial assets at year-end:

Cash and cash equivalents	\$ 4,530,933
Contributions receivable, net	2,767,810
Grants and other receivables	617,623
Investments	<u>4,784,862</u>
Total financial assets at year-end	<u>12,701,228</u>

Less amounts not available to be used within one year:

Net assets with donor restrictions	4,299,074
Endowment designated by board	<u>1,594,865</u>
	<u>5,893,939</u>

Add net assets with restrictions to be met in less than a year	<u>1,063,000</u>
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,870,289</u>
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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 (Note 8) 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.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 4. CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Total contributions receivable:	\$ 2,857,815	\$ 4,058,019
Less:		
Allowances	42,286	30,000
Unamortized discount	<u>47,719</u>	<u>63,491</u>
Net contributions receivable	<u>\$ 2,767,810</u>	<u>\$ 3,964,528</u>
Total contributions receivable:		
Receivable in less than one year	\$ 1,607,815	\$ 2,455,019
Receivable in one to five years	<u>1,250,000</u>	<u>1,603,000</u>
	<u>\$ 2,857,815</u>	<u>\$ 4,058,019</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money market	\$ 115,394	\$ 241,163
Equity securities	2,777,991	1,895,312
Fixed income funds	1,397,161	1,223,048
Exchange traded funds	282,146	234,460
Alternatives	117,011	151,773
Mutual funds	<u>95,159</u>	<u>93,800</u>
	4,784,862	3,839,556
Less current portion of investments	<u>898,307</u>	<u>599,956</u>
	<u>\$ 3,886,555</u>	<u>\$ 3,239,600</u>

The composition of the investment return as reported in statement of activities for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Income from long-term investments consisting of dividends, interest and capital gains	\$ 85,376	\$ 111,432
Investment fees	(34,524)	(30,859)
Net realized gains (losses) on investments	107,898	(17,975)
Net unrealized gains (losses) on investments	<u>807,697</u>	<u>(28,648)</u>
	<u>\$ 966,447</u>	<u>\$ 33,950</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2021:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Money market	\$ 115,394	\$ -	\$ -	\$ 115,394
Equity securities:				
U.S. large cap	1,891,915	-	-	1,891,915
Developed international	420,382	-	-	420,382
U.S. small cap	195,345	-	-	195,345
Emerging markets	132,281	-	-	132,281
Long-short equity	88,305	-	-	88,305
Real estate investment trusts	49,763	-	-	49,763
Fixed income:				
Corporate bonds	1,087,250	-	-	1,087,250
High yield bonds	309,911	-	-	309,911
Exchange traded funds:				
Large blend	132,642	-	-	132,642
Technology	73,830	-	-	73,830
International	28,098	-	-	28,098
Consumer	24,291	-	-	24,291
Communications	23,285	-	-	23,285
Alternatives:				
Allocation funds	117,011	-	-	117,011
Mutual funds:				
Short term bond	<u>95,159</u>	<u>-</u>	<u>-</u>	<u>95,159</u>
Total	<u>\$ 4,784,862</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,784,862</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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, 2020:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
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
Technology	52,245	-	-	52,245
Financial	27,768	-	-	27,768
International	21,318	-	-	21,318
Health	20,014	-	-	20,014
Equity energy	11,355	-	-	11,355
Alternatives:				
Allocation funds	151,773	-	-	151,773
Mutual funds:				
Short term bonds	<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>

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 171,727	\$ 596,487
Office equipment	<u>317,011</u>	<u>437,405</u>
	488,738	1,033,892
Less accumulated depreciation	<u>198,887</u>	<u>660,915</u>
	<u>\$ 289,851</u>	<u>\$ 372,977</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

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% at June 30, 2021 and 2020, respectively). There were no outstanding borrowings at June 30, 2021 and 2020.

NOTE 9. GOVERNMENT ASSISTANCE INCOME

Paycheck Protection Program Loan

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 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 at least the first ten months and payable in equal consecutive monthly installments of principal and interest commencing upon the expiration of the deferral period of the PPP loan date.

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.

Under the PPP loan program the Organization recognized \$880,300 in grant revenue during the year ended June 30, 2020, which represents the amount of qualified expenses incurred to date eligible for forgiveness and is included in revenues and other support on the statements of activities.

The Organization applied for PPP loan forgiveness and received approval from the Small Business Administration ("SBA") in November 2020. If it is determined that the Organization was not eligible to receive the PPP Loan or that the Organization has not adequately complied with the rules, regulations and procedures applicable to the SBA's Loan Program, the Organization could be subject to penalties and could be required to repay the amounts previously forgiven.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9. GOVERNMENT ASSISTANCE INCOME (CONTINUED)

Paycheck Protection Program Second Draw Loan

On February 17, 2021, the Organization received loan proceeds of \$1,006,933 under the Paycheck Protection Program Second Draw Loans (“PPP SD”). The second round of PPP funding, which was established as part of the Consolidated Appropriations Act, provides 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 twenty-four 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. Not more than 40% of the amount forgiven can be attributable to nonpayroll costs.

The PPP SD loan matures five years from the date of first disbursement of proceeds to the Organization (the “PPP SD Loan Date”) and accrues interest at a fixed rate of 1%. Payments are deferred for the covered period plus ten months and payable in fifty (50) equal consecutive monthly installments of principal and interest commencing on the eleventh month anniversary of the end of the covered period.

Under the PPP SD loan program the Organization recognized \$500,000 in grant revenue, which represents the amount of qualified expenses incurred to date eligible for forgiveness and is included in revenues and other support on the statement of activities for the year ended June 30, 2021. As of June 30, 2021, \$506,933 is included as refundable advances on the statement of net assets related to the PPP SD loan program.

The Organization currently intends to use the proceeds for purposes consistent with the PPP SD, 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.

Employee Retention Tax Credit

The employee retention tax credit (“ERTC”), as it existed under the CARES Act, was not available to taxpayers that received a PPP loan. Provisions in the Consolidated Appropriations Act (the “CAA”), which was signed into law on December 27, 2020, removed this restriction and allowed businesses that qualify for the ERTC to retroactively apply for the ERTC so long as the same wages are not used for both PPP loan forgiveness and the ERTC. Management has determined it is probable that the Organization is eligible for and meets all the conditions to qualify for the ERTC. In May 2021, the Organization submitted quarterly payroll tax returns claiming to recover approximately \$446,303 in ERTCs for amounts paid during the first quarter of 2021. In August 2021, the Organization submitted quarterly payroll tax returns claiming to recover approximately \$434,472 in ERTCs for amounts paid during the second quarter of 2021. The Organization recognize \$880,775 in government assistance income on the statement of activities and changes in net assets for the year ended June 30, 2021. However, there can be no assurances that the Organization will ultimately meet the conditions of the ERTC or realize the amount of the credits claimed, in whole or in part.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 10. NET ASSETS

Net assets with donor restrictions that are perpetual in nature at both June 30, 2021 and 2020 totaled \$1,747,761, which is included in the Organization's endowment.

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

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 1,979,616	\$ 2,940,286
Educational advocacy, scholarship and activities	434,122	375,208
Appreciation (depreciation) on restricted funds	137,575	(119,334)
Endowment fund, perpetual in nature	<u>1,747,761</u>	<u>1,747,761</u>
	<u>\$ 4,299,074</u>	<u>\$ 4,943,921</u>

The Organization also has \$1,594,865 and \$1,276,733 at June 30, 2021 and 2020, 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, 2021 and 2020 as follows:

	<u>2021</u>	<u>2020</u>
Time restricted	\$ 976,442	\$ 1,975,000
Educational advocacy, scholarship and activities	<u>33,000</u>	<u>20,000</u>
	<u>\$ 1,009,442</u>	<u>\$ 1,995,000</u>
Appropriation of endowment appreciation	<u>\$ 150,000</u>	<u>\$ 150,000</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 U.S. GAAP, 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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net assets with donor restrictions	\$ 1,885,336	\$ 1,628,427
Net assets without donor restrictions	<u>1,594,865</u>	<u>1,276,733</u>
Total endowment net assets	<u>\$ 3,480,201</u>	<u>\$ 2,905,160</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 11. ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2021 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment balance, June 30, 2020	\$ <u>1,276,733</u>	\$ <u>1,628,427</u>	\$ <u>2,905,160</u>
Investment return:			
Income	28,806	36,742	65,548
Net appreciation	300,548	384,481	685,029
Investment management fees	<u>(11,222)</u>	<u>(14,314)</u>	<u>(25,536)</u>
Total investment return	318,132	406,909	725,041
Appropriated for expenditure	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Endowment balance, June 30, 2021	\$ <u><u>1,594,865</u></u>	\$ <u><u>1,885,336</u></u>	\$ <u><u>3,480,201</u></u>

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>

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 2021 and 2020.

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 did not make matching contributions to the plan in 2021. The Organization made matching contributions of \$77,423 to the plan in 2020.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 13. RELATED PARTY

The Organization is related by affiliation to Big Brothers Big Sisters of America ("BBBSA"). The Organization paid dues and fees of \$73,259 and \$66,068 to BBBSA during the years ended June 30, 2021 and 2020, respectively. Amounts prepaid to BBBSA at June 30, 2021 and 2020 were \$28,176 and \$27,630, 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, 2021 and 2020, the Organization recognized \$609,490 and \$402,927, respectively, of grant revenue from BBBSA. At June 30, 2021 and 2020, the Organization had accounts receivable outstanding from BBBSA of \$183,152 and \$128,364, respectively.

NOTE 14. CAPITAL LEASE OBLIGATIONS

The Organization leases equipment under a capital lease obligation expiring January 2024. The Organization's monthly capital lease payment is \$927, including principal and interest, through 2024. Assets under capital lease obligations are included in property and equipment and totaled \$41,264 at June 30, 2021 and 2020. Accumulated depreciation of the assets under capital lease obligation amounted to \$15,474 and \$4,459 at June 30, 2021 and 2020, respectively.

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

<u>Years</u>	<u>Amount</u>
2022	\$ 11,125
2023	11,125
2024	<u>6,391</u>
	28,641
Less amounts representing interest	<u>1,389</u>
Present value of future minimum lease payments	27,252
Less current portion	<u>10,275</u>
Long-term portion	<u>\$ 16,977</u>

NOTE 15. COMMITMENTS & CONTINGENCIES

Operating Lease Commitments

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 the Boston office lease was \$398,555 and \$464,557 for the years ended June 30, 2021 and 2020, respectively.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 15. COMMITMENTS & CONTINGENCIES (CONTINUED)

Operating Lease Commitments (continued)

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 \$22,137 and \$22,926 for the years ended June 30, 2021 and 2020 respectively.

Future minimum lease payments are as follows:

2022	\$ 423,094
2023	433,040
2024	442,986
2025	450,532
2026	434,028
Thereafter	<u>219,351</u>
	<u>\$ 2,403,031</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, 2021 and 2020.

COVID-19

During the 2020 calendar year, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern". In accordance with state mandates regarding the closure of certain businesses, the Organization was required to temporarily close its facilities and postpone various events as well as move others to a virtual environment. Due to the uncertainty of the situation, long-term operational disruption and related financial impacts, if any, cannot be reasonably estimated at this time.