

**BIG BROTHERS BIG SISTERS
OF EASTERN MASSACHUSETTS, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

**BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Eastern Massachusetts, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of Eastern Massachusetts, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters of Eastern Massachusetts, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Eastern Massachusetts, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Big Brothers Big Sisters of Eastern Massachusetts, Inc.'s 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which is has been derived.



CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
November 17, 2022

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents	\$ 4,274,853	\$ 4,530,933
Current portion of contributions receivable, net of allowance	1,556,389	1,565,529
Grants and other receivables	299,066	617,623
Current portion of investments	1,128,602	898,307
Prepaid expenses and other current assets	<u>396,225</u>	<u>380,328</u>
Total current assets	<u>7,655,135</u>	<u>7,992,720</u>
Property and equipment, net	<u>245,079</u>	<u>289,851</u>
Other assets:		
Contributions receivable, net of current portion and discount	242,718	1,202,281
Investments, net of current portion	3,212,031	3,886,555
Security deposit	<u>1,600</u>	<u>1,600</u>
Total other assets	<u>3,456,349</u>	<u>5,090,436</u>
TOTAL ASSETS	<u>\$ 11,356,563</u>	<u>\$ 13,373,007</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities:		
Current portion of capital lease obligations	\$ 10,667	\$ 10,275
Accounts payable	287,328	95,229
Accrued expenses	440,284	460,943
Deferred revenue	<u>249,793</u>	<u>358,191</u>
Total current liabilities	988,072	924,638
Long-term liabilities:		
Capital lease obligations, net of current portion	5,927	16,977
Refundable advance	<u>-</u>	<u>506,933</u>
Total liabilities	<u>993,999</u>	<u>1,448,548</u>
Net assets:		
Without donor restrictions	7,722,484	7,625,385
With donor restrictions	<u>2,640,080</u>	<u>4,299,074</u>
Total net assets	<u>10,362,564</u>	<u>11,924,459</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,356,563</u>	<u>\$ 13,373,007</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, 2022, (With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>			<u>2021</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and other support:				
Special events	\$ 3,162,371	\$ 250,000	\$ 3,412,371	\$ 3,373,570
Less cost of direct benefit to donor	<u>(925,362)</u>	<u>-</u>	<u>(925,362)</u>	<u>(908,791)</u>
Net revenues from special events	2,237,009	250,000	2,487,009	2,464,779
Individuals	864,233	140,437	1,004,670	1,358,397
Corporations, foundations, government and United Way	1,445,505	-	1,445,505	1,317,808
In-kind contributions	101,985	-	101,985	71,469
Interest income	11,910	-	11,910	6,912
Grant income - Paycheck Protection Program loan	506,933	-	506,933	500,000
Government assistance income	477,000	-	477,000	880,775
Net assets released from restrictions	1,654,000	(1,654,000)	-	-
Endowment appropriation	<u>150,000</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
Total revenues and other support	<u>7,448,575</u>	<u>(1,263,563)</u>	<u>6,185,012</u>	<u>6,750,140</u>
Expenses:				
Program services	5,602,889	-	5,602,889	5,116,695
General and administrative	371,450	-	371,450	365,258
Fundraising and development	<u>1,000,694</u>	<u>-</u>	<u>1,000,694</u>	<u>666,801</u>
Total expenses	<u>6,975,033</u>	<u>-</u>	<u>6,975,033</u>	<u>6,148,754</u>
Changes in net assets from operating activities	<u>473,542</u>	<u>(1,263,563)</u>	<u>(790,021)</u>	<u>601,386</u>
Non-operating activity:				
Income from investments, net of fees	46,903	40,514	87,417	50,852
Net realized and unrealized gains (loss) on investments	(423,346)	(285,945)	(709,291)	915,595
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>(376,443)</u>	<u>(395,431)</u>	<u>(771,874)</u>	<u>816,447</u>
Changes in net assets	97,099	(1,658,994)	(1,561,895)	1,417,833
Net assets - beginning	<u>7,625,385</u>	<u>4,299,074</u>	<u>11,924,459</u>	<u>10,506,626</u>
NET ASSETS - ENDING	<u><u>\$ 7,722,484</u></u>	<u><u>\$ 2,640,080</u></u>	<u><u>\$ 10,362,564</u></u>	<u><u>\$ 11,924,459</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, 2022, (With Comparative Totals for the Year Ended June 30, 2021)

	2022				2021	
	Program Services	Supporting Services			Total	Totals
General and Administrative		Fundraising and Development	Direct Benefit to Donors			
Payroll	\$ 3,845,664	\$ 218,172	\$ 780,809	\$ 383,533	\$ 5,228,178	\$ 4,164,438
Benefits	452,186	16,217	35,046	45,288	548,737	877,996
Occupancy	403,570	27,816	56,607	-	487,993	441,932
Professional fees	309,955	69,496	37,881	-	417,332	373,127
Rent and facility	-	-	-	214,167	214,167	216,412
Food, beverage and entertainment	-	-	-	156,879	156,879	62,581
Other direct	-	-	-	125,495	125,495	191,197
Membership/research	101,073	944	7,501	-	109,518	92,869
Advertising and promotion	101,159	673	1,370	-	103,202	93,363
Depreciation	65,783	4,534	9,227	-	79,544	83,126
Insurance	63,154	4,353	8,858	-	76,365	73,237
Telephone	55,943	3,214	8,572	-	67,729	70,517
BBBSA dues	55,801	-	-	-	55,801	73,259
Bad debt	33,080	2,280	4,640	-	40,000	25,000
Travel	30,371	185	7,487	-	38,043	12,679
Activity fee	34,428	-	-	-	34,428	38,124
Printing	4,012	-	18,630	-	22,642	18,357
Charge card fees	-	21,610	61	-	21,671	23,891
Equipment rental and maintenance	14,853	1,024	2,083	-	17,960	27,396
Business meetings	10,728	474	3,635	-	14,837	7,719
Volunteer stewardship	2,675	-	9,758	-	12,433	4,730
Office supplies	4,885	121	3,641	-	8,647	2,970
Scholarships and camperships	5,000	-	-	-	5,000	13,000
Postage	878	8	3,307	-	4,193	10,161
Miscellaneous	2,430	130	264	-	2,824	52,000
Conferences/training	2,319	-	151	-	2,470	4,679
Non-capital equipment	1,262	83	930	-	2,275	1,466
Interest	1,680	116	236	-	2,032	1,319
	<u>5,602,889</u>	<u>371,450</u>	<u>1,000,694</u>	<u>925,362</u>	<u>7,900,395</u>	<u>7,057,545</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>925,362</u>	<u>925,362</u>	<u>908,791</u>
TOTAL EXPENSES	<u>\$ 5,602,889</u>	<u>\$ 371,450</u>	<u>\$ 1,000,694</u>	<u>\$ -</u>	<u>\$ 6,975,033</u>	<u>\$ 6,148,754</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

	2021				
	Program Services	Supporting Services			Total
		General and Administrative	Fundraising and Development	Direct Benefit to Donors	
Payroll	\$ 3,203,855	\$ 202,676	\$ 370,696	\$ 387,211	\$ 4,164,438
Benefits	728,366	22,891	75,349	51,390	877,996
Occupancy	368,129	27,842	45,961	-	441,932
Professional fees	232,217	43,302	97,608	-	373,127
Rent and facility	-	-	-	216,412	216,412
Other direct	-	-	-	191,197	191,197
Advertising and promotion	92,844	70	449	-	93,363
Membership/research	84,533	463	7,873	-	92,869
Depreciation	69,244	5,237	8,645	-	83,126
BBBSA dues	73,259	-	-	-	73,259
Insurance	61,006	4,614	7,617	-	73,237
Telephone	58,808	3,502	8,207	-	70,517
Food, beverage and entertainment	-	-	-	62,581	62,581
Miscellaneous	43,233	3,307	5,460	-	52,000
Activity fee	38,124	-	-	-	38,124
Equipment rental and maintenance	22,839	1,719	2,838	-	27,396
Bad debt	-	25,000	-	-	25,000
Charge card fees	-	23,891	-	-	23,891
Printing	1,401	21	16,935	-	18,357
Scholarships and camperships	13,000	-	-	-	13,000
Travel	6,906	261	5,512	-	12,679
Postage	2,818	106	7,237	-	10,161
Business meetings	4,894	164	2,661	-	7,719
Volunteer stewardship	3,238	-	1,492	-	4,730
Conferences/training	4,454	-	225	-	4,679
Office supplies	1,162	34	1,774	-	2,970
Non-capital equipment	1,232	88	146	-	1,466
Interest	1,133	70	116	-	1,319
	<u>5,116,695</u>	<u>365,258</u>	<u>666,801</u>	<u>908,791</u>	<u>7,057,545</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>
TOTAL EXPENSES	<u>\$ 5,116,695</u>	<u>\$ 365,258</u>	<u>\$ 666,801</u>	<u>\$ -</u>	<u>\$ 6,148,754</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, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Changes in net assets	\$ (1,561,895)	\$ 1,417,833
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt	40,000	25,000
Depreciation	79,544	83,126
Unrealized and realized (gains) losses on investments	709,291	(915,595)
Change in operating assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	928,703	1,171,718
Grants and other receivables	318,557	(489,259)
Prepaid expenses and other current assets	(15,897)	(4,317)
Increase (decrease) in:		
Accounts payable	192,099	44,022
Accrued expenses	(20,659)	15,500
Deferred revenue	(108,398)	52,759
Refundable advance	<u>(506,933)</u>	<u>506,933</u>
Net cash provided by operating activities	<u>54,412</u>	<u>1,907,720</u>
Investing activities:		
Purchase of property and equipment	(34,772)	-
Proceeds from sale of investments	1,510,971	889,652
Purchase of investments	<u>(1,776,033)</u>	<u>(919,363)</u>
Net cash used in investing activities	<u>(299,834)</u>	<u>(29,711)</u>
Financing activities:		
Payments of capital lease obligations	<u>(10,658)</u>	<u>(9,553)</u>
Net cash used in financing activities	<u>(10,658)</u>	<u>(9,553)</u>
Net increase (decrease) in cash and cash equivalents	(256,080)	1,868,456
Cash and cash equivalents - beginning	<u>4,530,933</u>	<u>2,662,477</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 4,274,853</u>	<u>\$ 4,530,933</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	<u>\$ 2,032</u>	<u>\$ 1,319</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, 2022 AND 2021

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.

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, 2021 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, 2022 AND 2021

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 Federal Deposit Insurance Corporation ("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 \$37,761 and \$42,286 at June 30, 2022 and 2021, 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	4 - 10 years

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

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, 2022 and 2021, 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, 2022 AND 2021

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, 2022 and 2021. During the year ended June 30, 2022, this appropriation was made from underwater endowments funds. There was no approved appropriation on board designated net assets for the year ended June 30, 2022 and 2021.

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, 2022 AND 2021

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, 2022 and 2021.

- 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
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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, 2022 and 2021, 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
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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.

In-kind Contributions

The Organization receives in-kind contributions from individuals in support of its programming. Donated services are recognized as contributions at fair market value if the services require specialized skills, which would otherwise be purchased. Donated goods are recognized as contributions at fair market value at the time the goods are received. In-kind contributions are reflected in the accompanying financial statements based upon the estimated value assigned to them by management. In-kind contributions totaled \$101,985 and \$71,469 for the years ended June 30, 2022 and 2021, respectively. The in-kind contributions are reflected as professional fees on the statements of functional expenses for the years ended June 30, 2022 and 2021 (Note 4).

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 \$249,793, \$358,191 and \$305,432 at June 30, 2022, 2021 and 2020, respectively.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, 2022 and 2021 were \$103,202 and \$93,363, 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.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Implemented Accounting Pronouncements

In-kind Contributions - In September 2020, FASB issued Accounting Standards Update ("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. The Organization has determined that the application of the amendments of ASU 2020-07 did not have a material impact on the Organization's financial statements and related disclosures.

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 financial 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 currently evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

Reclassification

Certain amounts included in the 2021 financial statements have been reclassified to conform with the 2022 presentation. These reclassifications had no effect on net assets or changes in net assets.

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2022, through the date which the financial statements were available to be issued, November 17, 2022, and has determined that there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3. AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of June 30, 2022:

Financial assets at year-end:	
Cash and cash equivalents	\$ 4,274,853
Contributions receivable, net	1,799,107
Grants and other receivables	299,066
Investments	<u>4,340,633</u>
Total financial assets at year-end	<u>10,713,659</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	2,640,080
Endowment designated by board	<u>1,385,663</u>
	<u>4,025,743</u>
Add net assets with restrictions to be met in less than a year	<u>500,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 7,187,916</u>

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 9) 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. IN-KIND CONTRIBUTIONS

For the year ended June 30, 2022 and 2021, in-kind contributions recognized in the statements of activities included:

	<u>2022</u>	<u>2021</u>
Donated goods	\$ 13,683	\$ 5,602
Donated IT services	<u>88,302</u>	<u>65,867</u>
Total donated services	<u>\$ 101,985</u>	<u>\$ 71,469</u>

Donations of goods are valued at the estimated U.S. wholesale prices of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Donations of services are valued based on the number of hours and billing rates for similar services that the Organization would otherwise have to purchase. The recorded amounts are classified as in-kind donations in the accompanying financial statements.

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5. CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Total contributions receivable:	\$ 1,844,150	\$ 2,857,815
Less:		
Allowance	37,761	42,286
Unamortized discount	<u>7,282</u>	<u>47,719</u>
Net contributions receivable	<u>\$ 1,799,107</u>	<u>\$ 2,767,810</u>
Total contributions receivable:		
Receivable in less than one year	\$ 1,594,150	\$ 1,607,815
Receivable in one to five years	<u>250,000</u>	<u>1,250,000</u>
	<u>\$ 1,844,150</u>	<u>\$ 2,857,815</u>

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

NOTE 6. INVESTMENTS

The following is a summary of investments at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Money market	\$ 360,308	\$ 115,394
Equity securities	2,331,936	2,777,991
Fixed income funds	1,227,970	1,397,161
Exchange traded funds	231,511	282,146
Alternatives	95,136	117,011
Mutual funds	<u>93,772</u>	<u>95,159</u>
	4,340,633	4,784,862
Less current portion of investments	<u>1,128,602</u>	<u>898,307</u>
	<u>\$ 3,212,031</u>	<u>\$ 3,886,555</u>

The composition of the investment return as reported in statement of activities for the years ended June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Income from long-term investments consisting of dividends, interest and capital gains	\$ 127,817	\$ 85,376
Investment fees	(40,400)	(34,524)
Net realized gains (losses) on investments	(30,589)	107,898
Net unrealized gains (losses) on investments	<u>(678,702)</u>	<u>807,697</u>
	<u>\$ (621,874)</u>	<u>\$ 966,447</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7. 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, 2022:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Money market	\$ 360,308	\$ -	\$ -	\$ 360,308
Equity securities:				
U.S. large cap	1,596,586	-	-	1,596,586
Developed international	297,389	-	-	297,389
Long-short equity	132,058	-	-	132,058
Emerging markets	103,206	-	-	103,206
U.S. small cap	94,234	-	-	94,234
Commodities	70,079	-	-	70,079
Real estate investment trusts	38,385	-	-	38,385
Fixed income:				
Corporate bonds	954,488	-	-	954,488
High yield bonds	273,482	-	-	273,482
Exchange traded funds:				
Large blend	118,122	-	-	118,122
Technology	63,560	-	-	63,560
Communications	17,022	-	-	17,022
International	16,525	-	-	16,525
Consumer	16,281	-	-	16,281
Alternatives:				
Allocation funds	95,136	-	-	95,136
Mutual funds:				
Short term bond	<u>93,772</u>	<u>-</u>	<u>-</u>	<u>93,772</u>
Total	<u>\$ 4,340,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,340,633</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 7. 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, 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
Communications	24,291	-	-	24,291
Consumer	23,285	-	-	23,285
Alternatives:				
Allocation funds	117,011	-	-	117,011
Mutual funds:				
Short term bonds	<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>

NOTE 8. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 171,727	\$ 171,727
Office equipment	<u>339,785</u>	<u>317,011</u>
	511,512	488,738
Less accumulated depreciation	<u>266,433</u>	<u>198,887</u>
	<u>\$ 245,079</u>	<u>\$ 289,851</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 9. 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% (4.75% and 4.00% at June 30, 2022 and 2021, respectively). There were no outstanding borrowings at June 30, 2022 and 2021.

NOTE 10. GOVERNMENT ASSISTANCE INCOME

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.

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 SD loan program the Organization recognized \$506,933 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, 2022. The Organization recognized \$500,000 in grant revenue for the year ended June 30, 2021.

The Organization applied for PPP SD loan forgiveness and received approval from the Small Business Administration ("SBA") in February 2022. 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
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NOTE 10. GOVERNMENT ASSISTANCE INCOME (CONTINUED)

Employee Retention Tax Credit

The employee retention tax credit ("ERTC"), as it existed under the CARES Act, was not available to organizations 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.

U.S. GAAP does not contain authoritative guidance related to refundable tax credits. Absent authoritative accounting standards, interpretive guidance issued and commonly applied by financial statement preparers allows the analogy to alternative guidance. Management has determined that the ERTC is a type of government assistance (government grant). FASB ASC 958-605, *Not for Profit Entities: Revenue Recognition* ("ASC 958"), is utilized in accounting for government grants. Under ASC 958, grant revenue is recognized as revenue in the period received in the form of assets or decrease of liabilities (expenses) and when all conditions of the grant are met.

Management has determined 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 ERTC 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 ERTC for amounts paid during the second quarter of 2021. The Organization recognized \$880,775 in government assistance income on the statement of activities and changes in net assets for the year ended June 30, 2021. In February 2022 the Organization submitted quarterly payroll tax returns claiming to recover approximately \$477,000 in ERTC for amounts paid during the third quarter of 2021. The Organization recognized \$477,000 in government assistance income on the statement of activities and changes in net assets for the year ended June 30, 2022. If it is determined that the Organization was not eligible to receive the ERTC or that the Organization has not adequately complied with the regulations of the program, the Organization could be subject to penalties and could be required to repay the ERTC.

NOTE 11. NET ASSETS

Net assets with donor restrictions that are perpetual in nature at both June 30, 2022 and 2021 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>2022</u>	<u>2021</u>
Time restricted	\$ 739,774	\$ 1,979,616
Educational advocacy, scholarship and activities	410,401	434,122
Appreciation (depreciation) on restricted funds	(257,856)	137,575
Endowment fund, perpetual in nature	<u>1,747,761</u>	<u>1,747,761</u>
	<u>\$ 2,640,080</u>	<u>\$ 4,299,074</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 11. NET ASSETS (CONTINUED)

The Organization also has \$1,385,663 and \$1,594,865 at June 30, 2022 and 2021, 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, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 1,628,000	\$ 976,442
Educational advocacy, scholarship and activities	<u>26,000</u>	<u>33,000</u>
	<u>\$ 1,654,000</u>	<u>\$ 1,009,442</u>
Appropriation of endowment appreciation	<u>\$ 150,000</u>	<u>\$ 150,000</u>

NOTE 12. 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions	\$ 1,489,905	\$ 1,885,336
Net assets without donor restrictions	<u>1,385,663</u>	<u>1,594,865</u>
Total endowment net assets	<u>\$ 2,875,568</u>	<u>\$ 3,480,201</u>

Changes in endowment net assets for the year ended June 30, 2022 are summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment balance, June 30, 2021	\$ <u>1,594,865</u>	\$ <u>1,885,336</u>	\$ <u>3,480,201</u>
Investment return:			
Income	42,856	54,739	97,595
Net appreciation	(239,205)	(283,777)	(522,982)
Investment management fees	<u>(12,853)</u>	<u>(16,393)</u>	<u>(29,246)</u>
Total investment return	(209,202)	(245,431)	(454,633)
Appropriated for expenditure	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Endowment balance, June 30, 2022	<u>\$ 1,385,663</u>	<u>\$ 1,489,905</u>	<u>\$ 2,875,568</u>

BIG BROTHERS BIG SISTERS OF EASTERN MASSACHUSETTS, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 12. 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 depreciation	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>1,594,865</u>	\$ <u>1,885,336</u>	\$ <u>3,480,201</u>

NOTE 13. BENEFIT PLANS

At June 30, 2021, the Organization had a defined contribution money purchase retirement plan for eligible employees. The plan provided for bi-monthly contributions up to 5% of eligible compensation. The Organization did not make any employer contributions to the plan in 2022 and 2021. During the year ended June 30, 2022, this money purchase retirement plan was terminated.

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 \$64,434 to the plan during the year ended June 30, 2022. The Organization did not make matching contributions to the plan during the year ended June 30, 2021.

NOTE 14. RELATED PARTY

The Organization is related by affiliation to Big Brothers Big Sisters of America ("BBBSA"). The Organization paid dues and fees of \$55,801 and \$73,259 to BBBSA during the years ended June 30, 2022 and 2021, respectively. Amounts prepaid to BBBSA at June 30, 2022 and 2021 were \$26,570 and \$28,176, 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, 2022 and 2021, the Organization recognized \$652,156 and \$609,490, respectively, of grant revenue from BBBSA. At June 30, 2022 and 2021, the Organization had accounts receivable outstanding from BBBSA of \$299,066 and \$183,152, respectively.

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NOTE 15. 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, 2022 and 2021. Accumulated depreciation of the assets under capital lease obligation amounted to \$25,790 and \$15,747 at June 30, 2022 and 2021, respectively.

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

<u>Years</u>	<u>Amount</u>
2023	\$ 11,125
2024	<u>6,008</u>
	17,133
Less amounts representing interest	<u>539</u>
Present value of future minimum lease payments	16,594
Less current portion	<u>10,667</u>
Long-term portion	<u>\$ 5,927</u>

NOTE 16. COMMITMENTS & CONTINGENCIES

Operating Lease Commitments

During October 2019, the Organization signed a 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 \$437,303 and \$398,555 for the years ended June 30, 2022 and 2021, 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 \$30,342 and \$22,137 for the years ended June 30, 2022 and 2021 respectively.

Future minimum lease payments are as follows:

2023	\$ 433,040
2024	442,986
2025	450,532
2026	434,028
2027	<u>219,351</u>
	<u>\$ 1,979,937</u>

Letter of Credit

In connection with its 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, 2022 and 2021.