

**BIG BROTHERS BIG SISTERS  
OF MASSACHUSETTS BAY, INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2019 AND 2018**

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

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**CITRIN COOPERMAN®**

Accountants and Advisors

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Big Brothers Big Sisters of Massachusetts Bay, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2019, 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 Massachusetts Bay, Inc. as of June 30, 2019, 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 Massachusetts Bay, Inc.'s 2018 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated October 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with audited financial statements from which is has been derived.

  
CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts

October 8, 2019

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 AND 2018**

**ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current assets:		
Cash and cash equivalents	\$ 2,929,813	\$ 2,759,494
Current portion of contributions receivable, net	2,780,979	2,751,513
Grants receivable	181,505	99,407
Current portion of investments	449,246	650,968
Prepaid expenses and other current assets	<u>537,060</u>	<u>464,120</u>
Total current assets	<u>6,878,603</u>	<u>6,725,502</u>
Property and equipment, net	<u>130,401</u>	<u>174,432</u>
Other assets:		
Contributions receivable, net of current portion	2,084,258	3,399,846
Investments, net of current portion	3,382,683	3,458,045
Security deposit	<u>1,600</u>	<u>1,600</u>
Total other assets	<u>5,468,541</u>	<u>6,859,491</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 12,477,545</u></b>	 <b><u>\$ 13,759,425</u></b>

See accompanying notes to financial statements.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**JUNE 30, 2019 AND 2018**

**LIABILITIES AND NET ASSETS**

	<b><u>2019</u></b>	<b><u>2018</u></b>
Current liabilities:		
Current portion of capital lease obligations	\$ 8,751	\$ 16,363
Accounts payable	143,149	83,755
Accrued expenses	588,460	648,377
Deferred revenue	134,731	162,750
Deferred lease incentive	<u>30,057</u>	<u>-</u>
Total current liabilities	905,148	911,245
Long-term liabilities:		
Capital lease obligations, net of current portion	-	10,072
Deferred lease incentive	<u>-</u>	<u>133,179</u>
Total liabilities	<u>905,148</u>	<u>1,054,496</u>
Net assets:		
Without donor restrictions	5,545,902	5,456,502
With donor restrictions	<u>6,026,495</u>	<u>7,248,427</u>
Total net assets	<u>11,572,397</u>	<u>12,704,929</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 12,477,545</u></b>	<b><u>\$ 13,759,425</u></b>

See accompanying notes to financial statements.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2019, (With Comparative Totals for the Year Ended June 30, 2018)**

	<u>2019</u>			<u>2018</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues and other support:				
Special events	\$ 5,049,925	\$ -	\$ 5,049,925	\$ 4,291,021
Less cost of direct benefits to donor	<u>(2,115,613)</u>	<u>-</u>	<u>(2,115,613)</u>	<u>(1,939,830)</u>
Net revenues from special events	2,934,312	-	2,934,312	2,351,191
Individuals	1,334,804	181,413	1,516,217	5,319,631
Corporations, foundations, government and United Way	1,380,821	30,000	1,410,821	1,633,620
BBBS Foundation and other revenue	65,079	-	65,079	186,757
Net assets released from restrictions	1,356,724	(1,356,724)	-	-
Endowment appropriation	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>170,000</u>
Total revenues and other support	<u>7,241,740</u>	<u>(1,145,311)</u>	<u>6,096,429</u>	<u>9,661,199</u>
Expenses:				
Program services	5,621,242	-	5,621,242	5,642,420
General and administrative	356,433	-	356,433	376,454
Fundraising and development	<u>1,215,647</u>	<u>-</u>	<u>1,215,647</u>	<u>1,281,949</u>
Total expenses	<u>7,193,322</u>	<u>-</u>	<u>7,193,322</u>	<u>7,300,823</u>
Changes in net assets from operating activities	<u>48,418</u>	<u>(1,145,311)</u>	<u>(1,096,893)</u>	<u>2,360,376</u>
Non-operating activity:				
Income from investments, net of fees	41,365	45,787	87,152	72,410
Net realized and unrealized gains on investments	19,617	27,592	47,209	208,888
Endowment appropriation	<u>(20,000)</u>	<u>(150,000)</u>	<u>(170,000)</u>	<u>(170,000)</u>
Changes in net assets from non-operating activity	<u>40,982</u>	<u>(76,621)</u>	<u>(35,639)</u>	<u>111,298</u>
Changes in net assets	89,400	(1,221,932)	(1,132,532)	2,471,674
Net assets - beginning	<u>5,456,502</u>	<u>7,248,427</u>	<u>12,704,929</u>	<u>10,233,255</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 5,545,902</u>	<u>\$ 6,026,495</u>	<u>\$ 11,572,397</u>	<u>\$ 12,704,929</u>

See accompanying notes to financial statements.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2019, (With Comparative Totals for the Year Ended June 30, 2018)**

	<b>2019</b>					<b>2018</b>
	Program Services	Supporting Services			Total	Totals
		General and Administrative	Fundraising and Development	Direct Benefit to Donors		
Payroll	\$ 3,598,898	\$ 173,306	\$ 830,348	\$ 394,529	\$ 4,997,081	\$ 4,948,229
Food, beverage and entertainment	-	-	-	928,717	928,717	712,296
Benefits	669,907	25,223	106,815	61,343	863,288	1,011,104
Other direct	-	-	-	544,430	544,430	501,170
Occupancy	422,681	12,132	90,875	-	525,688	510,556
Professional fees	211,874	23,540	43,687	-	279,101	336,748
Rent and facility	-	-	-	186,594	186,594	288,489
Advertising and promotion	132,054	55	723	-	132,832	126,662
Depreciation	85,730	2,603	18,968	-	107,301	111,988
Membership/research	91,456	211	8,885	-	100,552	101,651
Bad debt	-	75,000	-	-	75,000	76,793
Activity fee	67,941	-	-	-	67,941	63,183
Insurance	51,858	1,559	11,414	-	64,831	58,242
Travel	47,082	274	12,059	-	59,415	55,072
Telephone	42,287	728	7,142	-	50,157	46,848
BBBSA dues	48,693	-	-	-	48,693	38,627
Business meetings	28,845	671	10,660	-	40,176	35,271
Charge card fees	-	38,924	-	-	38,924	36,844
Printing	11,239	159	25,493	-	36,891	38,923
Postage	8,590	198	26,972	-	35,760	26,737
In-kind expense	31,791	-	-	-	31,791	7,098
Equipment rental and maintenance	19,938	520	9,030	-	29,488	38,339
Non-capital equipment	15,995	449	3,637	-	20,081	-
Office supplies	13,949	202	5,244	-	19,395	44,002
Conferences/training	14,027	87	1,427	-	15,541	14,346
Volunteer stewardship	5,834	583	2,173	-	8,590	9,947
Interest	573	9	95	-	677	1,487
	<u>5,621,242</u>	<u>356,433</u>	<u>1,215,647</u>	<u>2,115,613</u>	<u>9,308,935</u>	<u>9,240,652</u>
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,115,613</u>	<u>2,115,613</u>	<u>1,939,829</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 5,621,242</u>	<u>\$ 356,433</u>	<u>\$ 1,215,647</u>	<u>\$ -</u>	<u>\$ 7,193,322</u>	<u>\$ 7,300,823</u>

See accompanying notes to financial statements.



**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	2018				Total
	Program Services	Supporting Services			
		General and Administrative	Fundraising and Development	Direct Benefit to Donors	
Payroll	\$ 3,517,141	\$ 180,816	\$ 880,786	\$ 369,486	\$ 4,948,229
Benefits	777,970	39,221	125,525	68,388	1,011,104
Food, beverage and entertainment	-	-	-	712,296	712,296
Occupancy	424,073	10,180	76,303	-	510,556
Other direct	-	-	-	501,170	501,170
Professional fees	268,433	24,683	43,632	-	336,748
Rent and facility	-	-	-	288,489	288,489
Advertising and promotion	116,203	-	10,459	-	126,662
Depreciation	92,573	2,343	17,072	-	111,988
Membership/research	83,201	220	18,230	-	101,651
Bad debt	-	76,793	-	-	76,793
Activity fee	63,083	-	100	-	63,183
Insurance	48,190	1,207	8,845	-	58,242
Travel	41,472	79	13,521	-	55,072
Telephone	39,835	597	6,416	-	46,848
Office supplies	37,168	683	6,151	-	44,002
Printing	7,139	9	31,775	-	38,923
BBBSA dues	38,627	-	-	-	38,627
Equipment rental and maintenance	23,311	528	14,500	-	38,339
Charge card fees	-	36,844	-	-	36,844
Business meetings	24,071	431	10,769	-	35,271
Postage	12,522	295	13,920	-	26,737
Conferences/training	12,641	105	1,600	-	14,346
Volunteer stewardship	6,381	1,403	2,163	-	9,947
In-kind expense	7,098	-	-	-	7,098
Interest	<u>1,288</u>	<u>17</u>	<u>182</u>	<u>-</u>	<u>1,487</u>
	5,642,420	376,454	1,281,949	1,939,829	9,240,652
Less expenses included with revenues on the statement of activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,939,829</u>	<u>1,939,829</u>
<b>TOTAL FUNCTIONAL EXPENSES</b>	<u>\$ 5,642,420</u>	<u>\$ 376,454</u>	<u>\$ 1,281,949</u>	<u>\$ -</u>	<u>\$ 7,300,823</u>

See accompanying notes to financial statements.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
Operating activities:		
Changes in net assets	\$ (1,132,532)	\$ 2,471,674
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Bad debt	75,000	76,793
Depreciation	107,301	111,988
Unrealized and realized gains on investments	(47,209)	(208,888)
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	1,211,122	(1,726,157)
Grants receivable	(82,098)	123,332
Prepaid expenses and other current assets	(72,940)	(63,312)
Increase (decrease) in:		
Accounts payable	59,394	(17,900)
Accrued expenses	(59,917)	197,158
Deferred revenue	(28,019)	(256,790)
Deferred lease incentive	<u>(103,122)</u>	<u>(103,122)</u>
Net cash (used in) provided by operating activities	<u>(73,020)</u>	<u>604,776</u>
Investing activities:		
Purchase of property and equipment	(63,270)	-
Proceeds from sale of investments	2,044,723	1,954,805
Purchase of investments	<u>(1,720,430)</u>	<u>(1,007,568)</u>
Net cash provided by investing activities	<u>261,023</u>	<u>947,237</u>
Financing activities:		
Payments on capital lease obligations	<u>(17,684)</u>	<u>(18,343)</u>
Net cash used in financing activities	<u>(17,684)</u>	<u>(18,343)</u>
Net increase in cash and cash equivalents	170,319	1,533,670
Cash and cash equivalents - beginning	<u>2,759,494</u>	<u>1,225,824</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 2,929,813</u></u>	<u><u>\$ 2,759,494</u></u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	<u><u>\$ 677</u></u>	<u><u>\$ 1,487</u></u>

See accompanying notes to financial statements.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 1.      ORGANIZATION**

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

Effective August 5, 2019, the Organization changed its name 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 Accounting Standards Codification ("FASB 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.

Revenues are reported as increases in net assets without donor restrictions unless the 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 investments and other 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 law. Expirations of restrictions on net assets with donor restrictions, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions in the statement of activities. The Organization releases the restrictions on net assets with donor restrictions upon incurrence of a qualifying expense.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles 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 \$28,699 and \$40,049 at June 30, 2019 and 2018, respectively.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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>
Office Equipment	3 - 10 years
Leasehold Improvements	5 - 10 years

Investments and Investment Earnings

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. 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.

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").

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.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Return Objectives and Risk Parameters (continued)

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

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

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

The Organization has a policy of appropriating for spending at a rate that must be sustainable for the long term and balance the dual needs of supporting current operational needs and preserving the value of the investable assets and its income distribution in perpetuity. The Organization's policy is based on the assumption that the spending policy over the long term will not exceed 5% of the average of the fund's previous 12 quarter ending market value, net of fees. The Board of Directors approves the draw rate on an annual basis. The approved appropriation from accumulated appreciation on invested net assets with donor restrictions was \$150,000 and \$170,000 for the years ended June 30, 2019 and 2018, respectively. The approved appropriation from accumulated appreciation on board designated net assets was \$20,000 for the year ended June 30, 2019. There was no approved appropriation on board designated net assets for the year ended June 30, 2018.

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.

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.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fair Value Measurement (continued)

- 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, 2019 and 2018.

- 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.

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, 2019 and 2018, 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.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the pledge is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of contribution. 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.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions.

Contributions of land, buildings and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire long-lived assets are reported as revenues with donor restrictions; the restrictions are considered to be released at the time of acquisition of such long-lived assets.

Contributions of services are reported as revenues and expenses without donor restrictions at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of goods and services to be used in program operations are reported as revenues and expenses without donor restrictions at the time the goods or services are received. There is no compensation for services rendered by members of the board of directors, with respect to their services as directors. The majority of contributed services and goods consist of tickets to sporting and other events, and legal services.

Deferred Revenue

Deferred revenue represents special event revenue received by the Organization prior to the fiscal year end for special events occurring in the next fiscal year.

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.



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

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising expenses incurred during the years ended June 30, 2019 and 2018 were \$132,832 and \$126,662, respectively.

Functional Expenses

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

Reclassification

Certain amounts included in the 2018 financial statements have been reclassified to conform with the 2019 presentation. These reclassifications had no effect on net assets or changes in net assets.

Recently Adopted Accounting Pronouncements

*Financial statement presentation* - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly and ASU 2016-14 has been retrospectively applied to all periods presented.

Recently Issued But Not Yet Effective Accounting Pronouncements

*Contributions* - In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which provides guidance for determining whether a transaction should be accounted for as a contribution or an exchange transaction, and whether a contribution is conditional or unconditional. This ASU is effective for years beginning after December 15, 2018. The Organization is currently completing its initial assessment and evaluation of the impact that ASU 2018-08 will have on its financial statements and related disclosures.

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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Recently Issued But Not Yet Effective Accounting Pronouncements (continued)

*Revenue* - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("Topic 606"), as amended (commonly referred to as "ASC 606"), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASC 606 replaces most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. For annual reporting periods, this standard is effective for the Organization on July 1, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. The Organization is currently completing its initial assessment and evaluation of the impact that Topic 606 will have on its financial statements and related disclosures.

The Organization expects, at a minimum, the adoption will be expanded disclosures that will enable users to better understand the nature, amount, timing, and uncertainty, if any, of revenues and cash flows arising from contracts with customers.

*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 the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on their financial statements and related disclosures.

**NOTE 3. AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets as of June 30, 2019:

Financial assets at year-end:	
Cash and cash equivalents	\$ 2,929,813
Contributions receivable, net	4,865,237
Grants receivable	181,505
Investments	<u>3,831,929</u>
Total financial assets at year-end	11,808,484
Less amounts not available to be used within one year:	
Net assets with donor restrictions	6,026,495
Endowment designated by board	<u>1,263,993</u>
	7,290,488
Add net assets with restrictions to be met in less than a year	<u>1,889,238</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 6,407,234</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 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 MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4. CONTRIBUTIONS RECEIVABLE**

The balance of contributions receivable at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Total contributions receivable:	\$ 4,985,677	\$ 6,384,562
Less:		
Allowances	28,699	40,049
Unamortized discount	<u>91,741</u>	<u>193,154</u>
Net contributions receivable	<u>\$ 4,865,237</u>	<u>\$ 6,151,359</u>
	<u>2019</u>	<u>2018</u>
Total contributions receivable:		
Receivable in less than one year	\$ 2,809,678	\$ 2,791,562
Receivable in one to five years	<u>2,175,999</u>	<u>3,593,000</u>
	<u>\$ 4,985,677</u>	<u>\$ 6,384,562</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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Money market	\$ 106,759	\$ 112,091
Mutual funds	2,253,787	2,529,155
Equity securities	859,968	818,033
Exchange traded funds	<u>611,415</u>	<u>649,734</u>
	3,831,929	4,109,013
Less current portion of investments	<u>449,246</u>	<u>650,968</u>
	<u>\$ 3,382,683</u>	<u>\$ 3,458,045</u>

The composition of the investment return as reported in statement of activities for the years ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Income from long-term investments consisting of dividends, interest and capital gains, net of fees	\$ 87,152	\$ 72,410
Net realized and unrealized gains on investments	<u>47,209</u>	<u>208,888</u>
	<u>\$ 134,361</u>	<u>\$ 281,298</u>

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
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**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, 2019:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Money market	\$ 106,759	\$ -	\$ -	\$ 106,759
Equity securities:				
Basic materials	49,413	-	-	49,413
Consumer goods	128,394	-	-	128,394
Financial	141,128	-	-	141,128
Healthcare	139,137	-	-	139,137
Industrial goods	62,030	-	-	62,030
Services	74,398	-	-	74,398
Energy	16,177	-	-	16,177
Technology	211,418	-	-	211,418
Specialty retail	37,873	-	-	37,873
Mutual Funds:				
High yield bond	296,786	-	-	296,786
Short term bond	473,077	-	-	473,077
Option writing	121,072	-	-	121,072
Intermediate term bond	340,066	-	-	340,066
Foreign large blend	310,796	-	-	310,796
Large blend	534,595	-	-	534,595
Diversified emerging markets	102,618	-	-	102,618
World allocation	74,777	-	-	74,777
Exchange traded funds:				
Intermediate term bond	213,235	-	-	213,235
Small blend	142,283	-	-	142,283
Equity precious metals	15,336	-	-	15,336
Large blend	107,800	-	-	107,800
Equity energy	19,113	-	-	19,113
Technology	39,020	-	-	39,020
International	22,980	-	-	22,980
Financial	33,120	-	-	33,120
Health	18,528	-	-	18,528
Total	<u>\$ 3,831,929</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,831,929</u>

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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, 2018:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets at fair value:				
Cash equivalents	\$ 112,094	\$ -	\$ -	\$ 112,094
Equity securities:				
Basic materials	62,317	-	-	62,317
Consumer goods	91,661	-	-	91,661
Financial	130,016	-	-	130,016
Healthcare	144,179	-	-	144,179
Industrial goods	86,529	-	-	86,529
Services	96,714	-	-	96,714
Technology	181,121	-	-	181,121
Specialty retail	25,497	-	-	25,497
Mutual Funds:				
High yield bond	354,569	-	-	354,569
Short term bond	399,027	-	-	399,027
Managed futures	120,666	-	-	120,666
Option writing	119,774	-	-	119,774
Intermediate term bond	389,687	-	-	389,687
Foreign large blend	391,821	-	-	391,821
Large blend	422,437	-	-	422,437
Diversified emerging markets	169,422	-	-	169,422
Energy limited partnership	92,235	-	-	92,235
World allocation	69,516	-	-	69,516
Exchange traded funds:				
Intermediate term bond	203,603	-	-	203,603
Small blend	163,770	-	-	163,770
Equity precious metals	13,386	-	-	13,386
Large blend	101,890	-	-	101,890
Equity energy	60,752	-	-	60,752
Technology	34,732	-	-	34,732
International	22,998	-	-	22,998
Financial	31,908	-	-	31,908
Health	<u>16,692</u>	<u>-</u>	<u>-</u>	<u>16,692</u>
Total	<u>\$ 4,109,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,109,013</u>

**NOTE 7. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Office equipment	\$ 436,067	\$ 436,067
Leasehold improvements	<u>392,671</u>	<u>329,401</u>
	828,738	765,468
Less accumulated depreciation	<u>698,337</u>	<u>591,036</u>
	<u>\$ 130,401</u>	<u>\$ 174,432</u>

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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% (5.50% and 5% at June 30, 2019 and 2018, respectively). There were no outstanding borrowings at June 30, 2019 and 2018.

**NOTE 9. NET ASSETS**

Net assets with donor restrictions that are perpetual in nature at both June 30, 2019 and 2018 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>2019</u>	<u>2018</u>
Time restricted	\$ 3,867,036	\$ 4,992,347
Educational advocacy, scholarship and activities	397,488	405,549
Appreciation on restricted funds	14,210	102,770
Endowment fund, perpetual in nature	<u>1,747,761</u>	<u>1,747,761</u>
	<u>\$ 6,026,495</u>	<u>\$ 7,248,427</u>

The Organization also has \$1,263,993 and \$1,242,734 at June 30, 2019 and 2018, 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, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Time restricted	\$ 1,336,724	\$ 1,705,500
Educational advocacy, scholarship and activities	<u>20,000</u>	<u>20,000</u>
	<u>\$ 1,356,724</u>	<u>\$ 1,725,500</u>

**NOTE 10. ENDOWMENTS**

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

Endowment composition by net asset category, at fair value, is as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Net assets with donor restrictions	\$ 1,761,971	\$ 1,850,533
Net assets without donor restrictions	<u>1,263,993</u>	<u>1,242,734</u>
Total endowment net assets	<u>\$ 3,025,964</u>	<u>\$ 3,093,267</u>

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
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**NOTE 10. ENDOWMENTS (CONTINUED)**

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

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

Changes in endowment net assets for the year ended June 30, 2018 are summarized as follows:

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Endowment balance, June 30, 2017	\$ <u>1,178,279</u>	\$ <u>1,915,738</u>	\$ <u>3,094,017</u>
Investment return:			
Income	26,124	50,814	76,938
Net appreciation	47,056	70,952	118,008
Investment management fees	<u>(8,725)</u>	<u>(16,971)</u>	<u>(25,696)</u>
Total investment return	64,455	104,795	169,250
Appropriated for expenditure	<u>-</u>	<u>(170,000)</u>	<u>(170,000)</u>
Endowment balance, June 30, 2018	\$ <u><u>1,242,734</u></u>	\$ <u><u>1,850,533</u></u>	\$ <u><u>3,093,267</u></u>

**NOTE 11. 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 2019 and 2018.

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 \$74,329 and \$68,185 to the plan in 2019 and 2018, respectively.

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 12. RELATED PARTY**

The Organization is related by common board members to the Big Brother Big Sister Foundation, Inc. (the "Foundation"). The Foundation did not make a contribution to the Organization during the year ended June 30, 2019. The Foundation contributed \$125,089 to the Organization during the year ended June 30, 2018.

The Organization is related by affiliation to Big Brothers Big Sisters of America ("BBBSA"). The Organization paid dues and fees of \$48,693 and \$38,627 to BBBSA during the years ended June 30, 2019 and 2018, respectively. Amounts prepaid to BBBSA at June 30, 2019 and 2018 were \$24,885 and \$17,568, respectively, and are included in prepaid expenses and other current assets in the accompanying statements of financial position.

**NOTE 13. CAPITAL LEASE OBLIGATIONS**

The Organization leases equipment under capital lease obligations expiring on various dates through January 2020. The Organization's monthly capital lease payments range from \$202 to \$1,328, including principal and interest, through 2020. Assets under capital lease obligations are included in property and equipment and totaled \$67,999 at June 30, 2019 and 2018, respectively. Accumulated depreciation of the assets under capital lease obligation amounted to \$59,248 and \$41,564 at June 30, 2019 and 2018, respectively. Future minimum lease obligations for the year ending June 30, 2019 is \$10,105, of which \$1,354 represents interest. The present value of the future minimum lease payments for the year ending June 30, 2020 is \$8,751.

**NOTE 14. COMMITMENTS**

During June 2014, the Organization amended their lease agreement for the Boston office which expires in December 2019. See Note 15 for new lease signed subsequent to year end. The amendment included an amount for a construction allowance for certain leasehold improvements, in addition to a lease credit, as defined in the agreement. The Organization, in the accompanying statements of financial position, has recognized this amount as deferred lease incentive and will amortize this amount as occupancy expense over the lease term. At June 30, 2019 and 2018, the deferred lease incentive was \$30,057 and \$133,179, respectively. Occupancy expense including rent, common area maintenance and utility charges was \$500,116 and \$486,515 for the years ended June 30, 2019 and 2018, respectively. The annual lease agreement is subject to real estate tax escalation and other operating expense escalations.

During June 2015, the Organization entered into a lease agreement for office space in Hyannis which expires in May 2020, with the option to renew. Occupancy expenses were \$23,374 and \$21,331 for the years ended June 30, 2019 and 2018 respectively.

Future minimum lease payments for the year ended June 30, 2020 is \$278,667.



**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.**  
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**NOTE 15. SUBSEQUENT EVENT**

On October 3, 2019, the Organization signed a new lease for their Boston office at a different location. The lease is scheduled to begin in January 2020 and has a term of seven years with optional five year extensions. Scheduled annual base rent ranges from approximately \$383,000 to \$439,000 per year.

The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2019, through the date which the financial statements were available to be issued, October 8, 2019, and has determined that, there are no other subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.