Big Brothers Big Sisters of Orange County and the Inland Empire, Inc.
(A Nonprofit Organization)

Consolidated Financial Statements

June 30, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Big Brothers Big Sisters of Orange County and the Inland Empire, Inc.
Santa Ana, California

Opinion

We have audited the accompanying consolidated financial statements of Big Brothers Big Sisters of Orange County and the Inland Empire, Inc. (the Organization) (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statement of activities, consolidated statement of functional expenses, consolidated statement of cash flows, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated 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 consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Windes, Inc.

Irvine, California
October 31, 2022

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

ASSETS

ASSETS	
Cash and cash equivalents	$ 7,005,052
Investments	12,886,136
Grants and contributions receivable	1,054,660
Deferred rent recivable	20,640
Prepaid expenses and other assets	136,873
Property and equipment, net	7,729,813
TOTAL ASSETS	$ 28,833,174

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable	$ 72,450
Accrued expenses	601,867
Deferred revenue	147,636
Note payable	3,444,641
	4,266,594
COMMITMENTS AND CONTINGENCIES (Note 9)	
NET ASSETS	
Without donor restrictions	24,337,642
With donor restrictions	228,938
TOTAL LIABILITIES AND NET ASSETS	$ 28,833,174

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

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants and contributions	$ 9,840,934	$ 284,400	$ 10,125,334
Special events, net	2,033,321	-	2,033,321
Rental income	550,862	-	550,862
Miscellaneous income	10,354	-	10,354
Donated services	86,800	-	86,800
Net assets released from restrictions	226,808	(226,808)	-
	12,749,079	57,592	12,806,671
EXPENSES			
Program services	6,113,058	-	6,113,058
Management and general	680,462	-	680,462
Fundraising	770,940	-	770,940
	7,564,460	-	7,564,460
OTHER INCOME / (EXPENSES)			
Investment return, net	(2,378,808)	-	(2,378,808)
Forgiveness of loan payable	10,185,000	-	10,185,000
Forgiveness of loan receivable	(6,983,300)	-	(6,983,300)
	822,892	-	822,892
CHANGE IN NET ASSETS	6,007,511	57,592	6,065,103
NET ASSETS AT BEGINNING OF YEAR	18,330,131	171,346	18,501,477
NET ASSETS AT END OF YEAR	$ 24,337,642	$ 228,938	$ 24,566,580

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

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Services	Management and General	Fundraising	Total
Salaries	$ 3,517,893	$ 273,508	$ 479,872	$ 4,271,273
Employee benefits and payroll taxes	612,278	47,603	83,520	743,401
Total personnel costs	4,130,171	321,111	563,392	5,014,674
Donated services	43,400	43,400	-	86,800
Program activities	713,313	-	-	713,313
Professional fees	38,669	102,589	15,144	156,402
Occupancy and rent	271,054	16,516	33,151	320,721
Interest	88,459	144,034	12,066	244,559
Insurance	60,060	3,774	7,161	70,995
Administration and office	121,242	8,293	15,234	144,769
Information technology	64,862	3,912	7,546	76,320
Utilities and telephone	62,787	3,647	7,144	73,578
Dues and subscriptions	45,500	408	5,188	51,096
Miscellaneous	64,754	2,829	21,107	88,690
Recruitment marketing and development	23,582	-	31,263	54,845
Repairs and maintenance	94,676	7,361	12,914	114,951
Taxes and fees	19,341	1,504	2,638	23,483
Depreciation and amortization	271,188	21,084	36,992	329,264
Total	$ 6,113,058	$ 680,462	$ 770,940	$ 7,564,460
Percentage of the total	80.8%	9.0%	10.2%	100.0%

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

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 6,065,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	329,264
Forgiveness of loan payable	(10,185,000)
Forgiveness of loan receivable	6,983,300
Realized and unrealized investment losses	2,685,685
Changes in operating assets and liabilities:	
Grants and contributions receivable	(216,418)
Deferred rent receivable	15,630
Interest receivable	24,092
Prepaid expenses and other assets	35,627
Deferred revenue	47,546
Accounts payable	(23,209)
Accrued expenses	190,073
Net Cash Provided By Operating Activities	5,951,693
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(147,645)
Purchases of investments	(1,014,398)
Proceeds from sales and maturities of investments	855,522
Net Cash Used In Investing Activities	(306,521)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(57,533)
Net Cash Used In Financing Activities	(57,533)
NET CHANGE IN CASH	5,587,639
CASH AT BEGINNING OF YEAR	1,417,413
CASH AT END OF YEAR	$ 7,005,052
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Income taxes paid	$ 23,482
Interest paid	$ 244,560

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

NOTE 1 – Nature of Organization

Big Brothers Big Sisters of Orange County and the Inland Empire, Inc. dba Big Brothers Big Sisters of Orange County and Big Brothers Big Sisters of the Inland Empire (BBBSOCIE) is a California nonprofit corporation formed to provide one-to-one mentors for children in great need to strengthen self-esteem, improve academic success, and pursue a purposeful future.

To facilitate the acquisition of the operating facility of the new operating facility BBBSOCIE as described in Note 4, BBBSOCIE formed a new California nonprofit corporation, BBBSOC QALICB, Inc. (QALICB), in which BBBSOCIE is the sole member.

BBBSOCIE has an auxiliary, Angelitos de Oro (ADO), which performs fund-raising activities on its behalf.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of BBBSOCIE, QALICB, and ADO (collectively, the Organization). All intercompany amounts and transactions have been eliminated.

Basis of Presentation

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

Financial Statement Presentation

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

> ***Without Donor Restrictions*** – Net assets that are not subject to donor-imposed restrictions. The Organization's board may designate net assets without restrictions for general operational purposes from time to time.
>
> ***With Donor Restrictions*** – Net assets subject to donor-imposed restrictions that are temporary in nature that will be met by actions of the Organization or the passage of time. As the restrictions are satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statement of activities as satisfaction of purpose and time restrictions. Other donor restrictions are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

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

Recently Adopted Accounting Standard

During the year ended June 30, 2022, the Organization adopted AS 2020-07, Not-for-Profit Entities (Topic 958): Presentation and *Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit to present contributed nonfinancial assets as a separate line item in the consolidated statement of activities, apart from contributions of cash or other financial assets. Additionally, the standard requires a not-for-profit to disclose a disaggregation of the amount of contributed nonfinancial assets by category that depicts the type of nonfinancial assets and additional information related to the monetization, utilization, and valuation of the contributed nonfinancial assets.

Cash and Cash Equivalents

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

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value, based on quoted market prices. Realized and unrealized gains and losses have been netted on the consolidated statement of activities. Investment return presented on the consolidated statement of activities is presented net of investment expenses. (See Note 5.) There were no investment expenses for the year ended June 30, 2022.

Grants and Contributions Receivable

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

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Grants and Contributions Receivable (Continued)

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Accounts are charged to the allowance for doubtful accounts as they are deemed uncollectible. The Organization has determined all grants and contributions receivable as of June 30, 2022 to be collectible and, as a result, there was no allowance for uncollectible promises to give as of June 30, 2022. Discount amortization is recognized as contributions.

Concentrations of Credit Risk

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

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

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

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

Fair Value Measurements

As defined in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 820, *Fair Value Measurements and Disclosures* (ASC 820), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Organization uses the market approach. Based on this approach, the Organization utilizes certain assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

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

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

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

Property and Equipment

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

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

Building improvements	10-30 years
Furniture and fixtures	3-5 years

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such a review indicates that the carrying amount of an asset may not be recoverable, an impairment loss is recognized for the excess of the carrying amount over the fair value of an asset to be held and used or over the fair value less cost to sell an asset to be disposed. The Organization has determined that there is no impairment for the year ended June 30, 2022.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Grants and Contributions

Grants and contributions are reported in the period earned, at the amount reasonably expected to be collected, and as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expiration of donor restrictions on net assets with donor restrictions are reported as net assets released from restrictions on the consolidated statement of activities. All funds the Organization receives in advance of fulfilling its performance obligations are presented as deferred revenue in the accompanying consolidated state of financial position.

In-Kind Contributions

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

In-kind contributions made during the year ended June 30, 2022 are as follows:

Type	Revenue Recognized	Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
Legal costs	$ 86,800	Legal Services	None	The Organization estimated the fair value on the basis of comparable attorney rates

Special Events

During the year ended June 30, 2022, the Organization held events that generated revenue from sponsorships, ticket sales, and donations. Revenue and direct expenses for these events were as follows for the year ending June 30, 2022:

Revenue	$ 2,526,090
Direct expenses	(492,769)
Net special events income	$ 2,033,321

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Expense	Method of Allocation
Personnel costs	Time and effort
Materials and supplies	Usage
Occupancies	Usage
Depreciation	Usage

Income Taxes

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

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

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncement

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02*, Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in *Leases (Topic 840)*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the consolidated statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard.

Subsequent Events

Subsequent events have been evaluated through October 31, 2022, which is the date the consolidated financial statements were available to be issued.

NOTE 3 - Financial Assets and Liquidity Resources

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

Financial assets at year-end:	
Cash and cash equivalents	$ 7,005,052
Investments	12,886,136
Grants and contributions receivable	1,054,660
Deferred rent receivable	20,640
	20,966,488
Less amounts unavilable for general expenditure wtihin one year due to:	
Contractual or donor-imposed restrictions	(228,938)
Financial assets available for general expenditure within one year	$ 20,737,550

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - Financial Assets and Liquidity Resources (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

To help manage unanticipated liquidity needs, the Organization has a line of credit of $500,000, of which the entire amount was unused and available at June 30, 2022.

NOTE 4 – Purchase of Operating Facility

On September 30, 2014, the Organization purchased a building for $7 million to be used as its operating facility. To finance the purchase, the Organization borrowed $4.4 million from Farmers & Merchants Bank (the Bank) for a term of 10 years, pledging the new building as collateral. (See Note 8.)

In order to finance relocation to the new building and its required refurbishment, the Organization initiated a $3 million capital campaign and received support from the U.S. Department of the Treasury's New Market Tax Credit Program (NMTC). For the latter, the Organization was required to enter into the following series of transactions:

- A new community development entity, CSCDC 5 LLC (CSCDC 5), was formed by Twain Investment Fund 19, LLC (Twain), a new entity formed by U.S. Bancorp Community Development Corporation (USBCDC), and California Statewide Communities Development Corporation (CSCDC). CSCDC funded CSCDC 5 with $4.095 million of awarded NMTC tax credits. For 99.99% ownership of CSCDC 5 and the rights to all of CSCDC S's NMTC tax credits, Twain funded CSCDC 5 with $10.5 million.

- QALICB was formed.

- One day after BBBSOCIE took title to the new building, BBBSOCIE entered into a 99-year lease with QALICB for a lump-sum payment of $7 million, of which $4 million was allocated to the building and recorded as a capital lease, and $3 million was allocated to the land and recorded as an operating lease. As part of the lease, QALICB acquired the rights to all tenant revenue from the new building and took financial responsibility for building improvements.

- Contemporaneously with the receipt of the $7,000,000 payment from QALICB, BBBSOCIE entered into an agreement to lease just over half of the new building from QALICB through December 2044. As part of that lease, QALICB agreed to cover furniture and relocation expenses.

NOTE 4 – Purchase of Operating Facility (Continued)

- To finance the capital lease payment, immediate building improvements, the Organization's furniture and relocation expenses, and transaction costs, QALICB borrowed $10,185,000 from CSCDC 5 for a term of 35 years at a 1% fixed rate. In order to secure this loan, QALICB has to maintain the loan and all associated entities for a minimum of seven years and has to pay transaction costs totaling $900,000 over seven years. Also as a requirement for the loan, the Organization was required to lend Twain $6,983,300 at a 1.38% fixed rate, maturing April 1, 2041. The note receivable from Twain requires quarterly payments of interest only through October 1, 2022, at which time quarterly payments of principal and interest will commence in equal installments through the maturity date.

In accordance with the NMTC agreements, during the year ended June 30, 2022, USBCDC exercised its put option, transferring its interest in Twain to the BBBSOCIE for $1,000 (Put Price). After the exercise of the Put Price, the Organization owns Twain and CSCDC 5, and is ultimately both the lender and borrower of the $10,185,000 loan payable, and the $6,983,300 loan receivable, effectively forgiving both loans. At June 30, 2022, the only remaining loan outstanding related to the purchase of the operating facility is the $4,400,000 loan with the Bank. (See Note 8.)

NOTE 5 – Investments

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

	Level 1	Level 2	Level 3	Total
Corporate stocks	$ 2,104,122	$ -	$ -	$ 2,104,122
Mutual funds:				
Equities	6,197,217	-	-	6,197,217
Bonds	4,515,587	-	-	4,515,587
Investment pool	-	-	69,210	69,210
	$ 12,816,926	$ -	$ 69,210	$ 12,886,136

Investment return consisted of the following for the year ended December 31, 2021:

Dividends and interest	$ 367,495
Realized and unrealized gains on investments	(2,685,685)
Investment fees	(60,618)
Investment return	$ (2,378,808)

NOTE 6 – Grants and Contributions Receivable

The following is a summary of the Organization's pledges receivable classified by the expected period of collection as of June 30, 2022:

Receivable in less than one year	$ 1,054,660
Receivable in one to five years	-
	$ 1,054,660

NOTE 7 – Property and Equipment

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

Land	$ 3,000,000
Building and improvements	6,410,347
Furniture and equipment	753,568
	10,163,915
Less accumulated depreciation and amortization	(2,434,102)
	$ 7,729,813

Depreciation and amortization expense for the year ended June 30, 2022 was $329,264.

NOTE 8 – Notes Payable

The Organization's loan payable to the Bank of $4,400,000, amended on September 30, 2021, bearing interest at 3.75%, and matures on September 28, 2024. As of June 30, 2022, the outstanding principal balance of the loan payable was $3,444,641.

NOTE 8 – Notes Payable (Continued)

Future maturities of the note payable are as follows:

Years Ending June 30,	
2023	$ 220,494
2024	228,907
2025	2,995,240
	3,444,641
Less unamortized debt issuance costs	-
	$ 3,444,641

In October 2021, the Organization entered into a line of credit facility with the Bank. The line of credit provides a borrowing facility of $500,000, bearing interest at the WSJ Prime Rate (4.75% at June 30, 2022), plus 1.5%, and maturing on October 14, 2023. The line of credit contains certain covenants. As of June 30, 2022, the Organization was in compliance or had obtained a waiver. As of June 30, 2022 there was no balance outstanding on the line of credit.

NOTE 9 – Commitments and Contingencies

Legal Matters

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

NOTE 9 – Commitments and Contingencies (Continued)

Operating Lease

The Organization leases its Inland Empire operating facility under the terms of a noncancelable lease agreement that expires in April 2024.

Future minimum payments under the lease as of June 30, 2022 were as follows:

Years Ending June 30,	
2023	$ 138,767
2024	142,219
	$ 280,986

Facility rent expense under the above-described agreement for the year ended June 30, 2022 was $134,157 and is reflected as occupancy and rent expense in the accompanying consolidated statement of functional expenses.

NOTE 10 –Net Assets with Donor Restrictions

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

	June 30, 2021	Additions	Releases from Restriction	June 30, 2022
Time restrictions	$ 171,346	$ 284,400	$ (226,808)	$ 228,938

NOTE 11 – Rental Income

The Organization leases portions of its operating facility to unrelated third parties under the terms of noncancelable lease agreements that expire at various times through July 2025. Certain aspects of the leases provide for tenant improvement allowances to the lessee. The tenant improvement allowance is recorded by the Organization as a deferred rent receivable and will be amortized to rental income over the remaining lease term.

Future minimum receipts of rental payments under these leases were as follows as of June 30, 2022:

Years Ending June 30,	
2023	$ 464,497
2024	490,147
2025	503,571
2026	139,571
	$ 1,597,786

Rental income recognized related to all leases during the year ended June 30, 2022, amounted to $550,862.

NOTE 12 – Retirement Benefits

The Organization has a 403(b) plan covering all employees. The Organization matches 30% of the first 10% of employee contributions to the plan. The Organization's contributions in the participants' account balances are become fully vested after three years. For the year ended June 30, 2022, the Organization's matching contributions were approximately $28,000.

SUPPLEMENTARY INFORMATION

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	BBBSOCIE	QALICB	ADO	Eliminations	Consolidated
ASSETS					
Cash and cash equivalents	$ 6,245,162	$ 577,461	$ 182,429	$ -	$ 7,005,052
Investments	13,207,136	-	-	(321,000)	12,886,136
Grants and contributions receivable	1,054,660	-	-	-	1,054,660
Deferred rent receivable	-	20,640	-	-	20,640
Prepaid expenses and other assets	140,102	2,792,226	-	(2,795,455)	136,873
Property and equipment, net	3,057,746	4,672,067	-	-	7,729,813
TOTAL ASSETS	$ 23,704,806	$ 8,062,394	$ 182,429	$ (3,116,455)	$ 28,833,174
LIABILITIES					
Accounts payable	$ 69,331	$ 1,527	$ 1,592	$ -	$ 72,450
Accrued expenses	560,555	41,312	-	-	601,867
Deferred revenue	2,943,091	-	-	(2,795,455)	147,636
Note payable	3,444,641	-	-	-	3,444,641
	7,017,618	42,839	1,592	(2,795,455)	4,266,594
COMMITMENTS AND CONTINGENCIES (Note 9)					
NET ASSETS					
Without donor restrictions	16,458,250	8,019,555	180,837	(321,000)	24,337,642
With donor restrictions	228,938	-	-	-	228,938
TOTAL LIABILITIES AND NET ASSETS	$ 23,704,806	$ 8,062,394	$ 182,429	$ (3,116,455)	$ 28,833,174

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	BBBSOCIE	QALICB	ADO	Eliminations	Total
REVENUE					
Grants and contributions	$ 10,271,714	$ -	$ -	$ (146,380)	$10,125,334
Special events, net	1,830,141	-	56,800	146,380	2,033,321
Rental income	30,303	732,642	-	(212,083)	550,862
Miscellaneous income	10,214	140	-	-	10,354
Donated services	86,800	-	-	-	86,800
	12,229,172	732,782	56,800	(212,083)	12,806,671
EXPENSES					
Program services	5,578,591	746,550	-	(212,083)	6,113,058
Management and general	622,420	58,042	-	-	680,462
Fundraising	669,105	101,835	-	-	770,940
	6,870,116	906,427	-	(212,083)	7,564,460
OTHER INCOME / (EXPENSES)					
Investment return, net	(2,378,808)	-	-	-	(2,378,808)
Forgiveness of loan payable	-	10,185,000	-	-	10,185,000
Forgiveness of loan receivable	(6,983,300)	-	-	-	(6,983,300)
	(9,362,108)	10,185,000	-	-	822,892
CHANGE IN NET ASSETS	(4,003,052)	10,011,355	56,800	-	6,065,103
NET ASSETS AT BEGINNING OF YEAR	20,690,240	(1,991,800)	124,037	(321,000)	18,501,477
NET ASSETS AT END OF YEAR	$ 16,687,188	$ 8,019,555	$ 180,837	$ (321,000)	$24,566,580

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
(A Nonprofit Organization)

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	BBBSOCIE				QALICB				Eliminations		CONSOLIDATED			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals	Program Services	Totals	Program Services	Management and General	Fundraising	Totals
Salaries	$ 3,517,893	$ 273,508	$ 479,872	$ 4,271,273	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,517,893	$ 273,508	$ 479,872	$ 4,271,273
Employee benefits and payroll taxes	612,278	47,603	83,520	743,401	-	-	-	-	-	-	612,278	47,603	83,520	743,401
Total personnel costs	4,130,171	321,111	563,392	5,014,674	-	-	-	-	-	-	4,130,171	321,111	563,392	5,014,674
Donated services	43,400	43,400	-	86,800	-	-	-	-	-	-	43,400	43,400	-	86,800
Program activities	713,313	-	-	713,313	-	-	-	-	-	-	713,313	-	-	713,313
Professional fees	1,255	99,680	10,040	110,975	37,414	2,909	5,104	45,427	-	-	38,669	102,589	15,144	156,402
Occupancy and rent	304,462	2,625	8,778	315,865	178,675	13,891	24,373	216,939	(212,083)	(212,083)	271,054	16,516	33,151	320,721
Interest	-	137,157	-	137,157	88,459	6,877	12,066	107,402	-	-	88,459	144,034	12,066	244,559
Insurance	45,463	2,639	5,170	53,272	14,597	1,135	1,991	17,723	-	-	60,060	3,774	7,161	70,995
Administration and office	55,198	3,158	6,225	64,581	66,044	5,135	9,009	80,188	-	-	121,242	8,293	15,234	144,769
Information technology	64,862	3,912	7,546	76,320	-	-	-	-	-	-	64,862	3,912	7,546	76,320
Utilities and telephone	62,787	3,647	7,144	73,578	-	-	-	-	-	-	62,787	3,647	7,144	73,578
Dues and subscriptions	45,500	408	5,188	51,096	-	-	-	-	-	-	45,500	408	5,188	51,096
Miscellaneous	39,566	871	17,671	58,108	25,188	1,958	3,436	30,582	-	-	64,754	2,829	21,107	88,690
Recruitment marketing and development	23,582	-	31,263	54,845	-	-	-	-	-	-	23,582	-	31,263	54,845
Repairs and maintenance	-	-	-	-	94,676	7,361	12,914	114,951	-	-	94,676	7,361	12,914	114,951
Taxes and fees	-	-	-	-	19,341	1,504	2,638	23,483	-	-	19,341	1,504	2,638	23,483
Depreciation and amortization	49,032	3,812	6,688	59,532	222,156	17,272	30,304	269,732	-	-	271,188	21,084	36,992	329,264
	$ 5,578,591	$ 622,420	$ 669,105	$ 6,870,116	$ 746,550	$ 58,042	$ 101,835	$ 906,427	$ (212,083)	$ (212,083)	$ 6,113,058	$ 680,462	$ 770,940	$ 7,564,460