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

Consolidated Financial Statements

June 30, 2023

(with Comparative Totals for 2022)

WINDES

AUDIT | TAX | ADVISORY

CONTENTS

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, 2023, 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, 2023, 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 Summarized Comparative Information

We have previously audited Big Brothers Big Sisters of Orange County and the Inland Empire, Inc.'s 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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.

Emphasis of Matter

As discussed in Note 9, beginning July 1, 2022, the Organization adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) and its related amendments using the modified-retrospective transition method. Our opinion is not modified with respect to this matter.

Windes, Inc.

Irvine, California
September 19, 2023

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

ASSETS

	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents	$ 3,877,845	$ 7,005,052
Investments	16,903,130	12,886,136
Grants and contributions receivable	1,021,790	1,054,660
Deferred rent receivable	65,254	20,640
Prepaid expenses and other assets	524,827	136,873
Operating right-of-use asset	115,696	-
Property and equipment, net	7,544,995	7,729,813
TOTAL ASSETS	$ 30,053,537	$ 28,833,174

LIABILITIES AND NET ASSETS

	2023	2022
LIABILITIES		
Accounts payable	$ 129,141	$ 72,450
Accrued expenses	582,943	601,867
Operating lease liability	117,265	-
Deferred revenue	373,749	147,636
Note payable	3,294,437	3,444,641
	4,497,535	4,266,594
COMMITMENTS AND CONTINGENCIES (Note 11)		
NET ASSETS		
Without donor restrictions	25,556,002	24,337,642
With donor restrictions	-	228,938
	25,556,002	24,566,580
TOTAL LIABILITIES AND NET ASSETS	$ 30,053,537	$ 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUE				
Grants and contributions	$ 5,178,802	$ -	$ 5,178,802	$ 10,244,759
Special events, net	1,880,105	-	1,880,105	1,889,580
Rental income	623,289	-	623,289	550,862
Employee Retention Credits	977,011	-	977,011	-
Miscellaneous income	33,161	-	33,161	34,994
Donated services	57,500	-	57,500	86,800
Net assets released from restrictions	228,938	(228,938)	-	-
	8,978,806	(228,938)	8,749,868	12,806,995
EXPENSES				
Program services	7,576,950	-	7,576,950	6,113,058
Management and general	925,232	-	925,232	680,462
Fundraising	697,433	-	697,433	771,264
	9,199,615	-	9,199,615	7,564,784
OTHER INCOME / (EXPENSES)				
Investment return, net	1,439,169	-	1,439,169	(2,378,808)
Forgiveness of loan payable	-	-	-	10,185,000
Forgiveness of loan receivable	-	-	-	(6,983,300)
	1,439,169	-	1,439,169	822,892
CHANGE IN NET ASSETS	1,218,360	(228,938)	989,422	6,065,103
NET ASSETS AT BEGINNING OF YEAR	24,337,642	228,938	24,566,580	18,501,477
NET ASSETS AT END OF YEAR	$ 25,556,002	$ -	$ 25,556,002	$ 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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	2023				2022
	Program Services	Management and General	Fundraising	Total	Total
Salaries	$ 4,594,765	$ 539,177	$ 402,881	$ 5,536,823	$ 4,271,273
Employee benefits and payroll taxes	709,896	83,303	62,246	855,445	727,421
Total personnel costs	5,304,661	622,480	465,127	6,392,268	4,998,694
Donated services	57,500	-	-	57,500	86,800
Program activities	896,543	-	-	896,543	713,313
Professional fees	37,504	51,192	91,343	180,039	156,402
Occupancy and rent	164,290	9,215	9,747	183,252	174,179
Interest	-	128,378	-	128,378	244,559
Insurance	89,460	8,497	6,656	104,613	86,975
Administration and office	65,650	5,135	4,522	75,307	64,581
Information technology	79,524	6,858	5,784	92,166	76,320
Utilities and telephone	168,407	17,777	12,663	198,847	166,896
Dues and subscriptions	50,090	-	-	50,090	51,096
Miscellaneous	66,946	3,771	26,258	96,975	88,690
Building maintenance	194,069	24,854	15,584	234,507	190,887
Marketing and development	31,313	-	29,656	60,969	54,845
Repairs and maintenance	65,777	8,424	5,282	79,483	57,476
Taxes and fees	17,380	2,226	1,396	21,002	23,483
Depreciation and amortization	287,836	36,425	23,415	347,676	329,264
Total	$ 7,576,950	$ 925,232	$ 697,433	$ 9,199,615	$ 7,564,460
Percentage of the total	82.4%	10.1%	7.5%	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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	For the Year Ended June 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 989,422	$ 6,065,103
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	347,676	329,264
Amortization of operating right-of-use asset	135,261	-
Loss on disposal of assets	983	-
Forgiveness of loan payable	-	(10,185,000)
Forgiveness of loan receivable	-	6,983,300
Realized and unrealized investment losses	(969,512)	2,685,685
Changes in operating assets and liabilities:		
Grants and contributions receivable	32,870	(216,418)
Deferred rent receivable	(44,614)	15,630
Prepaid expenses and other assets	(387,954)	35,627
Interest receivable	-	24,092
Accounts payable	56,691	(23,209)
Accrued expenses	(18,924)	190,073
Operating lease liabilities	(133,692)	-
Deferred revenue	226,113	47,546
Net Cash Provided By Operating Activities	234,320	5,951,693
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(163,841)	(147,645)
Purchases of investments	(3,919,784)	(1,014,398)
Proceeds from sales and maturities of investments	872,302	855,522
Net Cash Used By Investing Activities	(3,211,323)	(306,521)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(150,204)	(57,533)
Net Cash Used By Financing Activities	(150,204)	(57,533)
NET CHANGE IN CASH	(3,127,207)	5,587,639
CASH AT BEGINNING OF YEAR	7,005,052	1,417,413
CASH AT END OF YEAR	$ 3,877,845	$ 7,005,052
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Income taxes paid	$ 21,002	$ 23,482
Interest paid	$ 128,378	$ 244,560

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

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 fundraising activities on its behalf.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of BBBSOCIE and QALICB (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 consolidated 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. As of June 30, 2023 and 2022 the Organization did not have any net assets restricted 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.

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. The investment return presented on the consolidated statement of activities is presented as net of investment expenses. (See Note 5.) There were no investment expenses for either of the years ended June 30, 2023 and 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.

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, 2023 and 2022 to be collectible and, as a result, there was no allowance for uncollectible promises to give as of June 30, 2023 and 2022. Discount amortization is recognized as contributions.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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.

Approximately 12% of the Organization's revenue and support is received from one donor. Accounts receivable balances due from this donor at June 30, 2023 accounted for approximately 33% of total receivables.

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 years ended June 30, 2023 and 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 years ended June 30, 2023 and 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 statement 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, 2023 are as follows:

Type	Revenue Recognized	Utilization in Programs	Donor Restrictions	Valuation Techniques and Inputs
Legal costs	$ 57,500	Legal Services	None	The Organization estimated the fair value on the basis of comparable attorney rates

Special Events

During the years ended June 30, 2023 and 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, 2023 and 2022:

	2023	2022
Revenue	$ 2,651,730	$ 2,382,673
Direct expenses	(771,625)	(493,093)
Net special events income	$ 1,880,105	$ 1,889,580

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 and program services 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)

Lease Arrangements

In February 2016, the Financial Accounting Standards Board (FASB) issued new lease accounting guidance in Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by requiring the Organization to recognize a lease liability and related right-of-use assets for all leases (with the exception of short-term leases) at the commencement date of the lease and to disclose key information about leasing arrangements.

Effective July 1, 2022, the Organization adopted ASU 2016-02. The Organization determines if an arrangement contains a lease at inception based on whether the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed it to carry forward the historical lease classification.

The Organization's policy for determining its lease discount rate used in measuring lease liabilities is to use the rate implicit in the lease whenever that rate is readily determinable. If the rate implicit in the lease is not readily determinable, then the Organization has elected to use the risk-free discount rate, as permitted by U.S. GAAP, determined using a period comparable with that of the lease term.

The Organization adopted ASU 2016-02 utilizing the modified-retrospective transition method through a cumulative-effect adjustment. The adoption of ASU 2016-02 resulted in the recognition of right-of-use assets of $250,957 and operating lease liabilities of $250,957 as of July 1, 2022. Results for periods beginning prior to July 1, 2022 continue to be reported in accordance with our historical accounting treatment. The adoption of ASU 2016-02 did not have a material impact on the Organization's results of operations, cash flows, or debt covenants.

Recent Accounting Pronouncements

In June 2016, FASB issued ASU 2016-13, *Financial Instruments – Credit Losses* (*Topic 326: Measurement of Credit Losses on Financial Instruments)*. The standards' main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after June 30, 2023. Management is evaluating the impact of this guidance.

Reclassifications

Certain reclassifications have been made to the 2022 consolidated financial statements presentation in order to correspond to the current year's format.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Subsequent Events

Subsequent events have been evaluated through September 19, 2023, 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, 2023:

Financial assets at year-end:	
Cash and cash equivalents	$ 3,877,845
Investments	16,903,130
Grants and contributions receivable	1,021,790
Deferred rent receivable	65,254
Financial assets available for general expenditure within one year	$ 21,868,019

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, 2023. (See note 8.)

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 ten years, pledging the new building as collateral. (See Note 8.)

NOTE 4 – Purchase of Operating Facility (Continued)

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.

- 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, 2023, 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, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Corporate stocks	$ 1,484,601	$ -	$ -	$ 1,484,601
Mutual funds:				
Equities	7,596,690	-	-	7,596,690
Bonds	5,062,978	-	-	5,062,978
Treasury bills	2,684,935			2,684,935
Investment pool	-	-	73,926	73,926
	$ 16,829,204	$ -	$ 73,926	$ 16,903,130

	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 years ended:

	June 30,	
	2023	**2022**
Dividends and interest	$ 509,046	$ 367,495
Realized and unrealized gains (losses) on investments	969,512	(2,685,685)
Investment fees	(39,389)	(60,618)
Investment return	$ 1,439,169	$ (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, 2023:

	June 30, 2023	June 30, 2022
Receivable in less than one year	$ 1,021,790	$ 1,054,660
Receivable in one to five years	-	-
	$ 1,021,790	$ 1,054,660

NOTE 7 – Property and Equipment

The Organization's property and equipment consisted of the following as of:

	June 30, 2023	June 30, 2022
Land	$ 3,000,000	$ 3,000,000
Building and improvements	6,429,242	6,410,347
Furniture and equipment	835,145	753,568
Construction in progress	48,240	-
	10,312,627	10,163,915
Less accumulated depreciation and amortization	(2,767,632)	(2,434,102)
	$ 7,544,995	$ 7,729,813

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was $347,676 and $329,264, respectively.

Construction in progress is comprised of one project for a building improvement. The project is expected to be placed in service during the fiscal year 2024 and is expected to cost an additional $52,000.

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, 2023, the outstanding principal balance of the loan payable was $3,294,437.

Future maturities of the note payable are as follows:

Years Ending June 30,	
2024	$ 228,907
2025	3,065,530
	3,294,437
Less unamortized debt issuance costs	-
	$ 3,294,437

In February 2017, the Organization entered into a line of credit facility with the Bank, most recently amended in October 2021. The line of credit provides a borrowing facility of $500,000, bearing interest at the WSJ Prime Rate (4.75% at June 30, 2023), plus 1.5%, and maturing on October 14, 2023. The line of credit contains certain covenants. As of June 30, 2023, the Organization was in compliance or had obtained a waiver. As of June 30, 2023 and 2022, there was no balance outstanding on the line of credit.

NOTE 9 – Leasing Arrangements as a Lessee

The Organization leases its office space and office equipment under operating leases with two to seven year initial terms. Most leases include renewal options which can extend the lease term up to ten years. The exercise of these renewal options is at the sole discretion of the Organization, and only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities.

While all of the agreements provide for minimum lease payments, some include payments adjusted for inflation or for variable payments based on a percentage of sales over contractual levels. Variable payments are not determinable at the lease commencement and are not included in the measurement of the lease assets and liabilities. The lease agreements do not include any material residual value guarantees or restrictive covenants.

NOTE 9 – Leasing Arrangements as a Lessee (Continued)

The following summarizes the line items in the consolidated statement of financial position, which include amounts for financing and operating leases as of year ended June 30, 2023:

Operating lease right-of-use assets	$ 115,696
Current portion of operating lease liabilities	$ 117,265
Long-term portion of operating lease liabilities	-
	$ 117,265

The components of operating lease expenses that are included in “Occupancy and rent” in the consolidated statement of functional expenses were as follows:

Operating lease costs	$ 140,336

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 138,767
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$ 250,957

Weighted-average lease term and discount rate were as follows:

Weighted-average remaining lease term - operating leases	0.67 years
Weighted-average discount rate - operating leases	2.84%

NOTE 9 – Leasing Arrangements as a Lessee (Continued)

The maturities of operating lease liabilities as of June 30, 2023 are as follows:

Year Ending June 30,	Operating Leases
2024	$ 118,516
Total minimum lease payments	118,516
Less amount representing interest	(1,251)
Present value of minimum lease payments	117,265
Less current portion	(117,265)
	$ -

NOTE 10 – Leasing Arrangements as a Lessor

The Organization leases office space to tenants under noncancelable operating leases as follows:

Lease Location	Monthly Rent	Expiration Date of Lease
Lease A	$ 10,759	July 2025
Lease B	5,119	June 2025
Lease C	7,727	October 2027
Lease D	5,494	November 2023
Lease E	3,323	June 2029
Lease F	7,717	June 2025
Lease G	6,124	July 2024
Lease H	2,869	May 2025
Lease I	5,900	October 2025
	$ 55,032	

NOTE 10 – Leasing Arrangements as a Lessor (Continued)

The above leases are subject to rent escalations as defined in the agreements. Future minimum receipts estimated under existing noncancelable operating leases are as follows:

Years Ending June 30,	
2024	$ 581,355
2025	529,132
2026	195,171
	$ 1,305,658

NOTE 11 – 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, 2023 will be resolved without material adverse effect on the Organization's future financial position, changes in net assets, or cash flows.

NOTE 12 – Net Assets with Donor Restrictions

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

	June 30, 2022	Additions	Releases from Restriction	June 30, 2023
Time restrictions	$ 228,938	$ -	$ (228,938)	$ -

NOTE 13 – Employee Retention Credit

The Employee Retention Credit (ERC) was enacted in March 2020 by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The ERC is a refundable tax credit against certain employment related taxes equal to 50% of the qualified wages an eligible employer paid to employees from March 2020 through September 2021. During the year ended June 30, 2023, the Organization recorded $977,011 of refundable ERC claimed under provisions of the CARES Act in the accompanying consolidated statement of financial position and consolidated statement of activities.

NOTE 14 – 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 become fully vested after three years. For each of the years ended June 30, 2023 and 2022, the Organization's matching contributions were approximately $29,000.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	BBBSOCIE	QALICB	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	$ 3,516,447	$ 361,398	$ -	$ 3,877,845
Investments	17,224,130	-	(321,000)	16,903,130
Grants and contributions receivable	1,002,758	19,032	-	1,021,790
Deferred rent receivable	-	65,254	-	65,254
Prepaid expenses and other assets	178,212	3,081,464	(2,734,849)	524,827
Operating right-of-use asset	115,696	-	-	115,696
Property and equipment, net	3,090,034	4,454,961	-	7,544,995
TOTAL ASSETS	$ 25,127,277	$ 7,982,109	$ (3,055,849)	$ 30,053,537
LIABILITIES				
Accounts payable	$ 125,255	$ 3,886	$ -	$ 129,141
Accrued expenses	529,020	53,923	-	582,943
Operating lease liability	117,265	-	-	117,265
Deferred revenue	3,108,598	-	(2,734,849)	373,749
Note payable	3,294,437	-	-	3,294,437
	7,174,575	57,809	(2,734,849)	4,497,535
COMMITMENTS AND CONTINGENCIES (Note 11)				
NET ASSETS				
Without donor restrictions	17,952,702	7,924,300	(321,000)	25,556,002
TOTAL LIABILITIES AND NET ASSETS	$ 25,127,277	$ 7,982,109	$ (3,055,849)	$ 30,053,537

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	BBBSOCIE	QALICB	Eliminations	Total
REVENUE				
Grants and contributions	$ 5,178,802	$ -	$ -	$ 5,178,802
Special events, net	1,880,105	-	-	1,880,105
Rental income	30,303	805,069	(212,083)	623,289
Employee Retention Credits	977,011	-	-	977,011
Miscellaneous income	31,648	1,513	-	33,161
Donated services	57,500	-	-	57,500
	8,155,369	806,582	(212,083)	8,749,868
EXPENSES				
Program services	7,042,706	746,327	(212,083)	7,576,950
Management and general	829,650	95,582	-	925,232
Fundraising	637,505	59,928	-	697,433
	8,509,861	901,837	(212,083)	9,199,615
OTHER INCOME				
Investment return, net	1,439,169	-	-	1,439,169
CHANGE IN NET ASSETS	1,084,677	(95,255)	-	989,422
NET ASSETS AT BEGINNING OF YEAR	16,868,025	8,019,555	(321,000)	24,566,580
NET ASSETS AT END OF YEAR	$ 17,952,702	$ 7,924,300	$ (321,000)	$ 25,556,002

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, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	BBBSOCIE				QALICB				Eliminations			CONSOLIDATED			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals	Program Services	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Salaries	$ 4,594,765	$ 539,177	$ 402,881	$ 5,536,823	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 4,594,765	$ 539,177	$ 402,881	$ 5,536,823
Employee benefits and payroll taxes	709,896	83,303	62,246	855,445	-	-	-	-	-	-	-	709,896	83,303	62,246	855,445
Total personnel costs	5,304,661	622,480	465,127	6,392,268	-	-	-	-	-	-	-	5,304,661	622,480	465,127	6,392,268
Donated services	57,500	-	-	57,500	-	-	-	-	-	-	-	57,500	-	-	57,500
Program activities	896,543	-	-	896,543	-	-	-	-	-	-	-	896,543	-	-	896,543
Professional fees	5,140	47,047	88,748	140,935	32,364	4,145	2,595	39,104	-	-	-	37,504	51,192	91,343	180,039
Occupancy and rent	314,768	1,325	4,800	320,893	61,605	7,890	4,947	74,442	(212,083)	-	(212,083)	164,290	9,215	9,747	183,252
Interest	-	128,378	-	128,378	-	-	-	-	-	-	-	-	128,378	-	128,378
Insurance	71,342	6,177	5,201	82,720	18,118	2,320	1,455	21,893	-	-	-	89,460	8,497	6,656	104,613
Administration and office	65,650	5,135	4,522	75,307	-	-	-	-	-	-	-	65,650	5,135	4,522	75,307
Information technology	79,524	6,858	5,784	92,166	-	-	-	-	-	-	-	79,524	6,858	5,784	92,166
Utilities and telephone	76,642	6,025	5,294	87,961	91,765	11,752	7,369	110,886	-	-	-	168,407	17,777	12,663	198,847
Dues and subscriptions	50,090	-	-	50,090	-	-	-	-	-	-	-	50,090	-	-	50,090
Miscellaneous	48,631	1,425	24,787	74,843	18,315	2,346	1,471	22,132	-	-	-	66,946	3,771	26,258	96,975
Building maintenance	-	-	-	-	194,069	24,854	15,584	234,507	-	-	-	194,069	24,854	15,584	234,507
Marketing and development	31,313	-	29,656	60,969	-	-	-	-	-	-	-	31,313	-	29,656	60,969
Repairs and maintenance	-	-	-	-	65,777	8,424	5,282	79,483	-	-	-	65,777	8,424	5,282	79,483
Taxes and fees	-	-	-	-	17,380	2,226	1,396	21,002	-	-	-	17,380	2,226	1,396	21,002
Depreciation and amortization	40,902	4,800	3,586	49,288	246,934	31,625	19,829	298,388	-	-	-	287,836	36,425	23,415	347,676
	$ 7,042,706	$ 829,650	$ 637,505	$ 8,509,861	$ 746,327	$ 95,582	$ 59,928	$ 901,837	$ (212,083)	$ -	$ (212,083)	$ 7,576,950	$ 925,232	$ 697,433	$ 9,199,615