

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

CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2026

(with Comparative Totals for 2025)

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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, 2026, and the related consolidated statements of activities, functional expenses, and 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, 2026, 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.

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 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 2025 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 22, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended **June 30, 2025**, 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.

A handwritten signature in cursive script that reads "Windes, Inc.".

Irvine, California
September 18, 2026

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

ASSETS

	<u>2026</u>	<u>2025</u>
ASSETS		
Cash and cash equivalents	\$ 1,947,662	\$ 1,346,212
Investments	22,069,890	20,615,784
Grants and contributions receivable	1,293,326	1,560,863
Deferred rent receivable	56,868	24,496
Prepaid expenses and other assets	565,480	542,311
Operating lease right-of-use asset	664,336	815,421
Property and equipment, net	<u>6,835,641</u>	<u>7,088,825</u>
TOTAL ASSETS	<u>\$ 33,433,203</u>	<u>\$ 31,993,912</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 55,018	\$ 86,610
Accrued expenses	931,498	681,580
Operating lease liability	678,131	815,421
Deferred revenue	199,617	202,103
Note payable	<u>2,892,253</u>	<u>3,032,617</u>
	<u>4,756,517</u>	<u>4,818,331</u>

CONTINGENCIES (Note 9)

NET ASSETS

Without donor restrictions	28,601,686	27,025,581
With donor restrictions	<u>75,000</u>	<u>150,000</u>
	<u>28,676,686</u>	<u>27,175,581</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 33,433,203</u>	<u>\$ 31,993,912</u>
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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, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

	2026			2025
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 7,645,383	\$ 75,000	\$ 7,720,383	\$ 6,574,084
Special events, net	1,541,905	-	1,541,905	1,774,677
Rental income	521,780	-	521,780	692,863
Miscellaneous income	53,575	-	53,575	71,169
Donated services	16,625	-	16,625	45,500
Net assets released from restrictions	150,000	(150,000)	-	-
	<u>9,929,268</u>	<u>(75,000)</u>	<u>9,854,268</u>	<u>9,158,293</u>
EXPENSES				
Program services	9,260,640	-	9,260,640	9,227,330
Management and general	974,277	-	974,277	1,199,422
Fundraising	1,007,372	-	1,007,372	867,054
	<u>11,242,289</u>	<u>-</u>	<u>11,242,289</u>	<u>11,293,806</u>
OTHER INCOME				
Investment return, net	<u>2,889,126</u>	<u>-</u>	<u>2,889,126</u>	<u>2,157,509</u>
CHANGE IN NET ASSETS	1,576,105	(75,000)	1,501,105	21,996
NET ASSETS:				
BEGINNING OF YEAR	<u>27,025,581</u>	<u>150,000</u>	<u>27,175,581</u>	<u>27,153,585</u>
END OF YEAR	<u>\$ 28,601,686</u>	<u>\$ 75,000</u>	<u>\$ 28,676,686</u>	<u>\$ 27,175,581</u>

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, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

	2026				2025
	Program Services	Management and General	Fundraising	Total	Total
Salaries	\$ 5,524,156	\$ 535,869	\$ 537,564	\$ 6,597,589	\$ 6,833,498
Employee benefits and payroll taxes	862,469	83,664	83,928	1,030,061	1,042,955
Total personnel costs	6,386,625	619,533	621,492	7,627,650	7,876,453
Donated legal services	13,625	3,000	-	16,625	45,500
Program activities	1,340,826	-	-	1,340,826	1,300,987
Professional fees	117,589	50,607	145,938	314,134	196,356
Occupancy and rent	172,195	36,240	38,136	246,571	203,867
Interest	-	176,759	-	176,759	164,631
Insurance	162,233	3,851	17,811	183,895	176,680
Administration and office	135,120	12,573	13,530	161,223	147,825
Information technology	120,373	11,677	11,714	143,764	134,191
Utilities and telephone	136,580	12,238	14,013	162,831	146,725
Dues and subscriptions	80,255	1,275	1,279	82,809	62,355
Miscellaneous	42,919	2,292	20,389	65,600	116,974
Building maintenance	171,696	14,468	18,271	204,435	187,688
Marketing and development	35,951	-	68,662	104,613	93,921
Repairs and maintenance	53,263	4,523	5,643	63,429	43,475
Taxes and fees	14,029	1,182	1,493	16,704	20,209
Depreciation and amortization	277,361	24,059	29,001	330,421	375,969
Total	\$ 9,260,640	\$ 974,277	\$ 1,007,372	\$ 11,242,289	\$ 11,293,806

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, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,501,105	\$ 21,996
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization	330,421	375,969
Amortization of operating lease right-of-use asset	151,085	(815,421)
Realized and unrealized gains on investments	(2,044,574)	(1,474,116)
Changes in operating assets and liabilities:		
Grants and contributions receivable	267,537	(421,093)
Deferred rent receivable	(32,372)	34,010
Prepaid expenses and other assets	(23,169)	48,946
Accounts payable	(31,592)	(26,330)
Accrued expenses	249,918	72,503
Operating lease liability	(137,290)	815,421
Deferred revenue	(2,486)	(96,002)
Net Cash Provided By (Used In) Operating Activities	<u>228,583</u>	<u>(1,464,117)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(77,237)	(97,615)
Purchases of investments	(2,521,036)	(2,715,577)
Proceeds from sales and maturities of investments	3,111,504	2,310,129
Net Cash Provided By (Used In) Investing Activities	<u>513,231</u>	<u>(503,063)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	(140,364)	(106,189)
Net Cash Used In Financing Activities	<u>(140,364)</u>	<u>(106,189)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	601,450	(2,073,369)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,346,212</u>	<u>3,419,581</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,947,662</u>	<u>\$ 1,346,212</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Income taxes	\$ 16,704	\$ 20,209
Interest	<u>\$ 176,759</u>	<u>\$ 164,631</u>

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, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 1 – Nature of Organization

Big Brothers Big Sisters of Orange County and the Inland Empire, Inc. (BBBSOCIE), dba Big Brothers Big Sisters of Orange County and Big Brothers Big Sisters of the Inland Empire 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.

In September 2014, to facilitate the acquisition of a new operating facility, BBBSOCIE formed a new California nonprofit corporation, BBBSOC QALICB, Inc. (QALICB), in which BBBSOCIE is the sole member. Through the use of the U.S. Department of the Treasury's New Market Tax Credit Program, BBBSOCIE purchased the operating facility and contemporaneously entered into a 99-year lease agreement with QALICB, with an upfront payment of \$7,000,000. Of the \$7,000,000, \$4,000,000 was allocated to the building on QALICB's records and recorded as a financing lease, and \$3,000,000 was allocated to the land on BBBSOCIE's records 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 the building improvements. BBBSOCIE then leased a portion of the building back from QALICB in a lease agreement that expires in December 2045.

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 in consolidation.

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 (U.S. GAAP).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies

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 as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. The Organization’s board of directors 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 net assets released from restrictions. Other donor restrictions are perpetual in nature, where the donor stipulates that the corpus be maintained intact in perpetuity. As of June 30, 2026 and 2025, the Organization did not have any net assets restricted in perpetuity.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

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 are presented at net value on the consolidated statement of activities. Investment return is presented net of investment expenses on the consolidated statement of activities. (See Note 4.) Investment expenses for the years ended June 30, 2026 and 2025 was \$67,160 and \$59,845, respectively.

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 recorded at 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 is initially recognized to the date the contribution is received, with the amortization recognized as contributions.

The Organization receives government grants and contracts that operate on a cost reimbursement basis. Generally, grants receivable and related revenue are recognized when the expenses are reimbursable from the grant awards.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior collection experience and management's analysis of specific promises made. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the allowance for uncollectible receivables and a credit to grants and contributions receivable. The Organization has determined all grants and contributions receivable as of June 30, 2026 and 2025 to be fully collectible; accordingly, no allowance for uncollectible receivables is included in the financial statements.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk include cash and cash equivalents, grants and contributions receivable, and investments.

The Organization places its cash and cash equivalents in accounts with high-credit, quality financial institutions. At times, balances 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk (Continued)

With respect to grants and contributions receivable, the Organization routinely assesses the financial strength of its donors and believes that its 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.

For the year ended June 30, 2026, four donors accounted for approximately 29% of the Organization's total revenue and support. These donors accounted for approximately 62% of the Organization's total grants and contributions receivable at June 30, 2026.

Fair Value Measurements

The Organization applies the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 820), *Fair Value Measurement* (ASC 820), for financial assets and financial liabilities and for nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring or nonrecurring basis. ASC 820 defines fair value as 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. ASC 820 also 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 (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of inputs used to measure fair value are as follows:

- | | |
|----------------|---|
| 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, 2026 and 2025, the valuation techniques applied to similar assets and liabilities has been consistent.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the lease term. The estimated useful lives of the assets are as follows:

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

Expenditures for maintenance and repairs are expensed as incurred, and expenditures that increase the value or productive capacity of assets are capitalized.

Impairment of Long-Lived Assets

The Organization evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Recoverability of assets is measured by comparison of the carrying amount of the asset to the net undiscounted future cash flows expected to be generated from the asset. If the future undiscounted cash flows are not sufficient to recover the carrying value of the asset, the asset's carrying value is adjusted to fair value. For the years ended June 30, 2026 and 2025, no impairment loss was recognized.

Grants and Contributions

Grants and contributions are reported in the period earned at amounts reasonably expected to be collected and as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. 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 net assets released from restrictions. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

In-Kind Contributions

Contributed services are recognized as support if the services require specialized skills, are provided by individuals possessing those skills, and would otherwise need to be purchased if not provided by donation. The Organization receives significant contributions of time 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, are not recorded in the consolidated financial statements. Contributions of property and equipment are recognized as in-kind support on the consolidated statement of activities at fair value.

In-kind contributions made during the year ended June 30, 2026 are as follows:

<u>Type</u>	<u>Revenue Recognized</u>	<u>Utilization in Programs</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Legal services	\$ 16,625	Legal Services	None	The Organization estimated the fair value on the basis of comparable attorney rates

Special Events

During the years ended June 30, 2026 and 2025, the Organization held events that generated revenue from sponsorships, ticket sales, and donations. Revenue and direct expenses for these events were as follows:

	<u>For the Year Ended June 30,</u>	
	<u>2026</u>	<u>2025</u>
Revenue	\$ 2,368,957	\$ 2,673,240
Direct expenses	(827,052)	(898,563)
Net special events income	<u>\$ 1,541,905</u>	<u>\$ 1,774,677</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs are allocated between the program services and supporting services benefitted. Salaries, payroll taxes, and employee benefits are allocated based on management's estimate of employees' time and effort and are used to allocate indirect expenses. Administration and office expenses and subscriptions are first allocated directly, with any remaining indirect expenses allocated based on employees' time and effort. All other expenses are indirectly allocated as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Personnel costs	Time and effort
Occupancy and rent	Usage
Depreciation and amortization	Usage

Expenses included in the program activities line on the consolidated statement of functional expenses consist of recruitment, training, transportation, and other miscellaneous costs associated with the mentors and children.

Lease Arrangements

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's policy for determining its lease discount rate used for 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 accounts for short-term leases, defined as any lease with a term less than 12 months, by recognizing all components of the lease payment in the consolidated statement of activities in the period in which the obligation for payment is incurred.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Income Taxes

The Organization is exempt from federal income taxes and state franchise taxes under Internal Revenue Code (the Code) Section 501(c)(3) and Section 23701(d) of the California Revenue and Taxation Code, respectively. 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 consolidated financial statements taken as a whole.

In accordance with FASB ASC Topic No. 740, *Accounting for Uncertainty in Income Taxes* (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 would recognize any 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 purposes is four years.

Subsequent Events

Management has evaluated subsequent events from the date of the consolidated statement of financial position through September 18, 2026, which is the date the consolidated financial statements were available to be issued and determined no items need to be disclosed.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 3 – Financial Assets and Liquidity Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date comprise the following:

	<u>June 30,</u>	
	<u>2026</u>	<u>2025</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,947,662	\$ 1,346,212
Investments	22,069,890	20,615,784
Grants and contributions receivable	<u>1,293,326</u>	<u>1,560,863</u>
	<u>25,310,878</u>	<u>23,522,859</u>
Less amounts unavailable for general expenditure within one year due to:		
Contractual or donor-imposed restrictions	<u>(75,000)</u>	<u>(150,000)</u>
Financial assets available for general expenditure within one year	<u>\$ 25,235,878</u>	<u>\$ 23,372,859</u>

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. The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 4 – Investments

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value measurements:

Assets at Fair Value as of June 30, 2026				
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Equities	\$ 12,623,194	\$ -	\$ -	\$ 12,623,194
Bonds	7,049,481	-	-	7,049,481
Fixed income	-	2,291,779	-	2,291,779
Investment pool	-	-	105,436	105,436
	<u>\$ 19,672,675</u>	<u>\$ 2,291,779</u>	<u>\$ 105,436</u>	<u>\$ 22,069,890</u>

Assets at Fair Value as of June 30, 2025				
	Level 1	Level 2	Level 3	Total
Corporate stocks	\$ 810,481	\$ -	\$ -	\$ 810,481
Mutual funds:				
Equities	10,486,923	-	-	10,486,923
Bonds	6,045,894	-	-	6,045,894
Fixed income	-	3,182,638	-	3,182,638
Investment pool	-	-	89,848	89,848
	<u>\$ 17,343,298</u>	<u>\$ 3,182,638</u>	<u>\$ 89,848</u>	<u>\$ 20,615,784</u>

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NOTE 4 – Investments (Continued)

Net investment return consists of the following:

	For the Year Ended June 30,	
	2026	2025
Dividends and interest	\$ 911,712	\$ 743,238
Realized and unrealized gains on investments	2,044,574	1,474,116
Investment fees	<u>(67,160)</u>	<u>(59,845)</u>
Investment return, net	<u>\$ 2,889,126</u>	<u>\$ 2,157,509</u>

NOTE 5 – Property and Equipment

The Organization's property and equipment consist of the following:

	June 30,	
	2026	2025
Land	\$ 3,000,000	\$ 3,000,000
Building and improvements	6,652,338	6,604,886
Furniture and equipment	<u>972,931</u>	<u>954,884</u>
	10,625,269	10,559,770
Less accumulated depreciation and amortization	<u>(3,789,628)</u>	<u>(3,470,945)</u>
	<u>\$ 6,835,641</u>	<u>\$ 7,088,825</u>

Depreciation and amortization expense for the years ended June 30, 2026 and 2025 was \$330,421 and \$375,969, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
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NOTE 6 – Note Payable

The Organization's note payable to the bank was amended on September 28, 2024, with a principal amount of \$4,400,000, bearing interest at 5.875%, and matures on September 27, 2039. As of June 30, 2026, the outstanding principal balance was \$2,892,253.

Future minimum payments on the note payable are as follows as of June 30, 2026:

Year Ending June 30,	
2027	\$ 148,842
2028	157,517
2029	167,597
2030	177,858
2031	188,754
Thereafter	<u>2,051,685</u>
	<u>\$ 2,892,253</u>

NOTE 7 – Lease Arrangements as a Lessee

The Organization leases office space in Riverside, California under an operating lease. In 2025, the Organization entered into a new lease agreement that extends through June 2030. The lease agreement does not include any material residual value guarantees or restrictive covenants.

The following summarizes the line items in the consolidated statement of financial position, which include amounts for operating leases:

	June 30,	
	2026	2025
Operating lease right-of-use asset	<u>\$ 664,336</u>	<u>\$ 815,421</u>
Current portion of operating lease liability	\$ 149,419	\$ 133,298
Long-term portion of operating lease liability	<u>528,712</u>	<u>682,123</u>
	<u>\$ 678,131</u>	<u>\$ 815,421</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 7 – Lease Arrangements as a Lessee (Continued)

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

	For the Year Ended	
	June 30,	
	2026	2025
Operating lease costs	\$ 179,467	\$ -

The following table summarizes the supplemental cash flow information for the operating lease:

	For the Year Ended	
	June 30,	
	2026	2025
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	\$ 165,672	\$ -
Right-of-use asset obtained in exchange for lease liability:		
Operating lease	\$ -	\$ 815,421

The weighted-average remaining lease term and discount rate for the operating lease are as follows:

	June 30,	
	2026	2025
Weighted-average remaining lease term	4 years	5 years
Weighted-average discount rate	3.84%	3.84%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
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NOTE 7 – Lease Arrangements as a Lessee (Continued)

The maturities of the operating lease liability as of June 30, 2026 are as follows:

Year Ending June 30,	Operating Lease
2027	\$ 172,296
2028	179,196
2029	186,360
2030	<u>193,811</u>
Total minimum lease payments	731,663
Less amount representing interest	<u>(53,532)</u>
Present value of minimum lease payments	678,131
Less current portion	<u>(149,419)</u>
	 <u>\$ 528,712</u>

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 8 – Lease Arrangements as a Lessor

The Organization leases office space to tenants under noncancelable operating leases as follows as of June 30, 2026:

<u>Lease Location</u>	<u>Monthly Rent</u>	<u>Expiration Date of Lease</u>
Lease A*	\$ 12,785	July 2030
Lease B	5,712	June 2028
Lease C	8,692	October 2027
Lease D	5,921	December 2026
Lease G	3,656	June 2029
Lease E	1,784	November 2026
Lease J	6,392	June 2031
Lease I	6,200	February 2029
Lease F**	<u>2,527</u>	June 2030
	<u>\$ 53,669</u>	

*Tenant has the right to cancel lease after July 2028 for a \$25,000 cancellation fee

**Tenant has the right to cancel lease after June 2028 for a cancellation fee of \$30,000, or after June 2029 for a cancellation fee of \$20,000

Future minimum receipts estimated under the noncancelable operating leases are as follows as of June 30, 2026:

<u>Year Ending June 30,</u>	
2027	\$ 594,193
2028	497,856
2029	369,566
2030	286,212
2031	<u>86,980</u>
	<u>\$ 1,834,807</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2026
(WITH COMPARATIVE TOTALS FOR 2025)

NOTE 9 – 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, 2026 will be resolved without material adverse effect on the Organization's future financial position, changes in net assets, or cash flows.

NOTE 10 – Retirement Benefits

The Organization has a 403(b) plan covering all eligible 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 the years ended June 30, 2026 and 2025, the Organization made matching contributions of approximately \$30,000 and \$29,000, respectively.

NOTE 11 – Net Assets with Donor Restrictions

The activity of net assets with donor restrictions is as follows:

	<u>June 30, 2025</u>	<u>Additions</u>	<u>Released from Restrictions</u>	<u>June 30, 2026</u>
Time restrictions	\$ 150,000	\$ 75,000	\$ (150,000)	\$ 75,000

SUPPLEMENTARY INFORMATION

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
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CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2026

	<u>BBBSOCIE</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,662,423	\$ 285,239	\$ -	\$ 1,947,662
Investments	22,390,890	-	(321,000)	22,069,890
Grants and contributions receivable	1,290,433	3,293	(400)	1,293,326
Deferred rent receivable	-	56,868	-	56,868
Prepaid expenses and other assets	233,868	2,990,699	(2,659,087)	565,480
Operating lease right-of-use asset	664,336	-	-	664,336
Property and equipment, net	<u>3,050,296</u>	<u>3,785,345</u>	<u>-</u>	<u>6,835,641</u>
TOTAL ASSETS	<u>\$ 29,292,246</u>	<u>\$ 7,121,444</u>	<u>\$ (2,980,487)</u>	<u>\$ 33,433,203</u>
LIABILITIES				
Accounts payable	\$ 55,018	\$ 400	\$ (400)	\$ 55,018
Accrued expenses	872,029	59,469	-	931,498
Operating lease liability	678,131	-	-	678,131
Deferred revenue	2,845,302	13,402	(2,659,087)	199,617
Note payable	<u>2,892,253</u>	<u>-</u>	<u>-</u>	<u>2,892,253</u>
	<u>7,342,733</u>	<u>73,271</u>	<u>(2,659,487)</u>	<u>4,756,517</u>
NET ASSETS				
Without donor restrictions	21,874,513	7,048,173	(321,000)	28,601,686
With donor restrictions	<u>75,000</u>	<u>-</u>	<u>-</u>	<u>75,000</u>
	<u>21,949,513</u>	<u>7,048,173</u>	<u>(321,000)</u>	<u>28,676,686</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 29,292,246</u>	<u>\$ 7,121,444</u>	<u>\$ (2,980,487)</u>	<u>\$ 33,433,203</u>

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
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CONSOLIDATING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

	<u>BBBSOCIE</u>	<u>QALICB</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grants and contributions	\$ 7,720,383	\$ -	\$ -	\$ 7,720,383
Special events, net	1,541,905	-	-	1,541,905
Rental income	30,303	703,556	(212,079)	521,780
Miscellaneous income	47,456	6,119	-	53,575
Donated services	15,000	1,625	-	16,625
	<u>9,355,047</u>	<u>711,300</u>	<u>(212,079)</u>	<u>9,854,268</u>
EXPENSES				
Program services	8,711,927	760,792	(212,079)	9,260,640
Management and general	733,562	240,715	-	974,277
Fundraising	926,598	80,774	-	1,007,372
	<u>10,372,087</u>	<u>1,082,281</u>	<u>(212,079)</u>	<u>11,242,289</u>
OTHER INCOME				
Investment return, net	<u>2,889,126</u>	<u>-</u>	<u>-</u>	<u>2,889,126</u>
CHANGE IN NET ASSETS	1,872,086	(370,981)	-	1,501,105
NET ASSETS:				
BEGINNING OF YEAR	<u>20,077,427</u>	<u>7,419,154</u>	<u>(321,000)</u>	<u>27,175,581</u>
END OF YEAR	<u>\$ 21,949,513</u>	<u>\$ 7,048,173</u>	<u>\$ (321,000)</u>	<u>\$ 28,676,686</u>

BIG BROTHERS BIG SISTERS OF ORANGE COUNTY AND THE INLAND EMPIRE, INC.
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CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2026

	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	\$ 5,524,156	\$ 535,869	\$ 537,564	\$ 6,597,589	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,524,156	\$ 535,869	\$ 537,564	\$ 6,597,589
Employee benefits and payroll taxes	862,469	83,664	83,928	1,030,061	-	-	-	-	-	-	862,469	83,664	83,928	1,030,061
Total personnel costs	6,386,625	619,533	621,492	7,627,650	-	-	-	-	-	-	6,386,625	619,533	621,492	7,627,650
Donated services	12,000	3,000	-	15,000	1,625	-	-	1,625	-	-	13,625	3,000	-	16,625
Program activities	1,340,826	-	-	1,340,826	-	-	-	-	-	-	1,340,826	-	-	1,340,826
Professional fees	76,211	47,120	141,535	264,866	41,378	3,487	4,403	49,268	-	-	117,589	50,607	145,938	314,134
Occupancy and rent	302,931	29,386	29,479	361,796	81,343	6,854	8,657	96,854	(212,079)	(212,079)	172,195	36,240	38,136	246,571
Interest	-	-	-	-	-	176,759	-	176,759	-	-	-	176,759	-	176,759
Insurance	116,525	-	12,947	129,472	45,708	3,851	4,864	54,423	-	-	162,233	3,851	17,811	183,895
Administration and office	93,221	9,043	9,071	111,335	41,899	3,530	4,459	49,888	-	-	135,120	12,573	13,530	161,223
Information technology	120,373	11,677	11,714	143,764	-	-	-	-	-	-	120,373	11,677	11,714	143,764
Utilities and telephone	57,269	5,555	5,573	68,397	79,311	6,683	8,440	94,434	-	-	136,580	12,238	14,013	162,831
Dues and subscriptions	80,255	1,275	1,279	82,809	-	-	-	-	-	-	80,255	1,275	1,279	82,809
Miscellaneous	32,062	1,378	19,234	52,674	10,857	914	1,155	12,926	-	-	42,919	2,292	20,389	65,600
Building maintenance	-	-	-	-	171,696	14,468	18,271	204,435	-	-	171,696	14,468	18,271	204,435
Marketing and development	35,951	-	68,662	104,613	-	-	-	-	-	-	35,951	-	68,662	104,613
Repairs and maintenance	2,687	261	261	3,209	50,576	4,262	5,382	60,220	-	-	53,263	4,523	5,643	63,429
Taxes and fees	-	-	-	-	14,029	1,182	1,493	16,704	-	-	14,029	1,182	1,493	16,704
Depreciation and amortization	54,991	5,334	5,351	65,676	222,370	18,725	23,650	264,745	-	-	277,361	24,059	29,001	330,421
	<u>\$ 8,711,927</u>	<u>\$ 733,562</u>	<u>\$ 926,598</u>	<u>\$ 10,372,087</u>	<u>\$ 760,792</u>	<u>\$ 240,715</u>	<u>\$ 80,774</u>	<u>\$ 1,082,281</u>	<u>\$ (212,079)</u>	<u>\$ (212,079)</u>	<u>\$ 9,260,640</u>	<u>\$ 974,277</u>	<u>\$ 1,007,372</u>	<u>\$ 11,242,289</u>