

**BIG BROTHERS BIG SISTERS
OF MASSACHUSETTS BAY, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

**BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

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CITRIN COOPERMAN®

Accountants and Advisors

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Big Brothers Big Sisters of Massachusetts Bay, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Massachusetts Bay, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Big Brothers Big Sisters of Massachusetts Bay, Inc.'s 2017 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated September 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Braintree, Massachusetts
October 3, 2018

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 2,759,494	\$ 1,225,824
Current portion of contributions receivable, net	2,751,513	1,861,969
Grants receivable	99,407	222,739
Current portion of investments	650,968	1,388,023
Prepaid expenses and other current assets	<u>464,120</u>	<u>400,808</u>
Total current assets	<u>6,725,502</u>	<u>5,099,363</u>
Property and equipment, net	<u>174,432</u>	<u>286,420</u>
Other assets:		
Contributions receivable, net of current portion	3,399,846	2,640,026
Investments, net of current portion	3,458,045	3,459,339
Security deposit	<u>1,600</u>	<u>1,600</u>
Total other assets	<u>6,859,491</u>	<u>6,100,965</u>
 TOTAL ASSETS	 <u>\$ 13,759,425</u>	 <u>\$ 11,486,748</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2018 AND 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
Current liabilities:		
Current portion of capital lease obligations	\$ 16,363	\$ 16,985
Accounts payable	83,755	101,655
Accrued expenses	648,377	451,219
Deferred revenue	<u>162,750</u>	<u>419,540</u>
Total current liabilities	<u>911,245</u>	<u>989,399</u>
Long-term liabilities:		
Capital lease obligations, net of current portion	10,072	27,793
Deferred lease incentive	<u>133,179</u>	<u>236,301</u>
Total liabilities	<u>1,054,496</u>	<u>1,253,493</u>
Net assets:		
Unrestricted:		
Operations	4,213,768	4,103,735
Board designated	<u>1,242,734</u>	<u>1,178,279</u>
Total unrestricted net assets	5,456,502	5,282,014
Temporarily restricted	5,500,666	3,203,480
Permanently restricted	<u>1,747,761</u>	<u>1,747,761</u>
Total net assets	<u>12,704,929</u>	<u>10,233,255</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,759,425</u>	<u>\$ 11,486,748</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018, (With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>			<u>2017</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
Revenues and other support:					
Special events	\$ 4,291,021	\$ -	\$ -	\$ 4,291,021	\$ 3,056,728
Less cost of special events	<u>(1,939,830)</u>	<u>-</u>	<u>-</u>	<u>(1,939,830)</u>	<u>(1,521,094)</u>
Net revenues from special events	2,351,191	-	-	2,351,191	1,535,634
Individuals	1,269,311	4,050,320	-	5,319,631	3,718,715
Corporations, foundations, government and United Way	1,633,620	-	-	1,633,620	1,205,892
BBBS Foundation and other revenue	186,757	-	-	186,757	250,307
Net assets released from restrictions	1,725,500	(1,725,500)	-	-	-
Endowment appropriation	<u>170,000</u>	<u>-</u>	<u>-</u>	<u>170,000</u>	<u>170,000</u>
Total revenues and other support	<u>7,336,379</u>	<u>2,324,820</u>	<u>-</u>	<u>9,661,199</u>	<u>6,880,548</u>
Expenses:					
Program services	5,642,420	-	-	5,642,420	5,356,011
General and administrative	376,454	-	-	376,454	329,934
Fundraising and development	<u>1,281,949</u>	<u>-</u>	<u>-</u>	<u>1,281,949</u>	<u>1,208,361</u>
Total expenses	<u>7,300,823</u>	<u>-</u>	<u>-</u>	<u>7,300,823</u>	<u>6,894,306</u>
Changes in net assets from operating activities	<u>35,556</u>	<u>2,324,820</u>	<u>-</u>	<u>2,360,376</u>	<u>(13,758)</u>
Non-operating activity:					
Income from investments, net of fees	32,341	40,069	-	72,410	88,645
Net realized and unrealized gains (losses) on investments	106,591	102,297	-	208,888	380,415
Endowment appropriation	<u>-</u>	<u>(170,000)</u>	<u>-</u>	<u>(170,000)</u>	<u>(170,000)</u>
Changes in net assets from non-operating activity	<u>138,932</u>	<u>(27,634)</u>	<u>-</u>	<u>111,298</u>	<u>299,060</u>
Changes in net assets	174,488	2,297,186	-	2,471,674	285,302
Net assets - beginning	<u>5,282,014</u>	<u>3,203,480</u>	<u>1,747,761</u>	<u>10,233,255</u>	<u>9,947,953</u>
NET ASSETS - ENDING	<u>\$ 5,456,502</u>	<u>\$ 5,500,666</u>	<u>\$ 1,747,761</u>	<u>\$ 12,704,929</u>	<u>\$ 10,233,255</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018, (With Comparative Totals for the Year Ended June 30, 2017)

	<u>2018</u>			<u>2017</u>	
	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising and Development</u>	<u>Total</u>	<u>Totals</u>
Payroll	\$ 3,517,141	\$ 180,816	\$ 880,786	\$ 4,578,743	\$ 4,335,408
Benefits	777,970	39,221	125,525	942,716	950,477
Occupancy	424,073	10,180	76,303	510,556	491,377
Professional fees	268,433	24,683	43,632	336,748	278,464
Advertising and promotion	116,203	-	10,459	126,662	105,513
Depreciation	92,573	2,343	17,072	111,988	113,033
Membership/research	83,201	220	18,230	101,651	64,844
Bad debt	-	76,793	-	76,793	33,000
Activity fee	63,083	-	100	63,183	63,593
Insurance	48,190	1,207	8,845	58,242	56,190
Travel	41,472	79	13,521	55,072	50,362
Telephone	39,835	597	6,416	46,848	47,051
Office supplies	37,168	683	6,151	44,002	33,558
Printing	7,139	9	31,775	38,923	52,303
BBBSA dues	38,627	-	-	38,627	42,232
Equipment rental and maintenance	23,311	528	14,500	38,339	40,429
Charge card fees	-	36,844	-	36,844	30,215
Business meetings	24,071	431	10,769	35,271	28,311
Postage	12,522	295	13,920	26,737	26,466
Conferences/training	12,641	105	1,600	14,346	12,757
Volunteer stewardship	6,381	1,403	2,163	9,947	6,593
In-kind expense	7,098	-	-	7,098	30,408
Interest	<u>1,288</u>	<u>17</u>	<u>182</u>	<u>1,487</u>	<u>1,722</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,642,420</u>	<u>\$ 376,454</u>	<u>\$ 1,281,949</u>	<u>\$ 7,300,823</u>	<u>\$ 6,894,306</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	2017			
	Program Services	General and Administrative	Fundraising and Development	Total
Payroll	\$ 3,293,382	\$ 184,999	\$ 857,027	\$ 4,335,408
Benefits	773,079	40,142	137,256	950,477
Occupancy	409,350	10,089	71,938	491,377
Professional fees	247,951	25,043	5,470	278,464
Depreciation	93,803	2,365	16,865	113,033
Advertising and promotion	105,513	-	-	105,513
Membership/research	57,664	146	7,034	64,844
Activity fee	63,593	-	-	63,593
Insurance	46,719	1,165	8,306	56,190
Printing	14,472	126	37,705	52,303
Travel	38,422	198	11,742	50,362
Telephone	40,507	650	5,894	47,051
BBBSA dues	42,232	-	-	42,232
Equipment rental and maintenance	24,775	546	15,108	40,429
Office supplies	27,825	561	5,172	33,558
Bad debt	-	33,000	-	33,000
In-kind expense	30,408	-	-	30,408
Charge card fees	-	30,215	-	30,215
Business meetings	19,253	256	8,802	28,311
Postage	11,774	257	14,435	26,466
Conferences/training	10,252	157	2,348	12,757
Volunteer stewardship	3,467	-	3,126	6,593
Interest	1,570	19	133	1,722
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,356,011</u>	<u>\$ 329,934</u>	<u>\$ 1,208,361</u>	<u>\$ 6,894,306</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Operating activities:		
Changes in net assets	\$ 2,471,674	\$ 285,302
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Bad debt	76,793	33,000
Depreciation	111,988	113,033
Unrealized and realized (gains) losses on investments	(208,888)	(380,415)
Change in assets and liabilities:		
(Increase) decrease in:		
Contributions receivable, net	(1,726,157)	(2,306,339)
Grants receivable	123,332	42,133
Prepaid expenses and other current assets	(63,312)	(66,038)
Increase (decrease) in:		
Accounts payable	(17,900)	31,793
Accrued expenses	197,158	(76,018)
Deferred revenue	(256,790)	326,290
Deferred lease incentive	<u>(103,122)</u>	<u>(97,607)</u>
Net cash provided by (used in) operating activities	<u>604,776</u>	<u>(2,094,866)</u>
Investing activities:		
Purchase of property and equipment	-	(29,767)
Proceeds from sale of investments	1,954,805	1,426,459
Purchase of investments	<u>(1,007,568)</u>	<u>(495,601)</u>
Net cash provided by investing activities	<u>947,237</u>	<u>901,091</u>
Financing activities:		
Payments on capital lease obligations	<u>(18,343)</u>	<u>(15,155)</u>
Net cash used in financing activities	<u>(18,343)</u>	<u>(15,155)</u>
Net increase (decrease) in cash and cash equivalents	1,533,670	(1,208,930)
Cash and cash equivalents - beginning	<u>1,225,824</u>	<u>2,434,754</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,759,494</u>	<u>\$ 1,225,824</u>
Supplemental disclosures of cash flows information:		
Cash paid during the year for:		
Interest	<u>\$ 1,487</u>	<u>\$ 1,722</u>

See accompanying notes to financial statements.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1. ORGANIZATION

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization follows the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") subtopic *Presentation of Financial Statements of Not-For-Profit Entities*. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. The Organization may designate portions of its unrestricted net assets as board designated for various purposes.

Temporarily Restricted Net Assets - Net assets that are subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time. Temporarily restricted net assets also include cumulative appreciation and reinvested gains on permanently restricted endowment funds, which are subject to prudent appropriation by the board of directors in accordance with provisions of Massachusetts laws.

Permanently Restricted Net Assets - Net assets are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Totals

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Use of Estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash and cash equivalents. The Organization places its cash and temporary investments with high credit quality institutions. At times, such investments may be in excess of FDIC insurance limitations. The Organization has not experienced any losses in such accounts.

Contributions Receivable

Contributions receivable include an allowance for doubtful accounts based on management's evaluation of outstanding balances at the end of the year. An allowance is made for uncollectible pledges based on management's judgment, past collection experience and other relevant factors. The allowance for doubtful accounts totaled \$40,049 and \$50,416 at June 30, 2018 and 2017, respectively.

Property and Equipment

The components of property and equipment are recorded at cost or, if donated, at estimated fair value on the date of contribution. The cost or carrying value of the assets is depreciated or amortized using the straight-line method over the respective estimated useful lives as follows:

	<u>Years</u>
Office Equipment	3 - 10 years
Leasehold Improvements	5 - 10 years

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Net realized and unrealized gains and losses are included in the change in net assets. Furthermore, dividends, interest, and realized and unrealized gains on long-term investments are excluded from operating activities.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (continued)

The Organization follows the portion of Subtopic 205 of the FASB ASC that relates to *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and Enhanced Disclosures for All Endowment Funds*. This FASB ASC Subtopic provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of UPMIFA.

Return Objectives and Risk Parameters

The Organization's investment objective is to achieve a total return sufficient to provide resources needed for the ongoing service mission and operational needs of the Organization and to achieve real growth in capital net of distributions, expenses and inflation. This objective has been established in conjunction with a comprehensive review of the current and projected financial requirements of the Organization and is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective.

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

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

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

The Organization has a policy of appropriating for spending at a rate that must be sustainable for the long term and balance the dual needs of supporting current operational needs and preserving the value of the investable assets and its income distribution in perpetuity. The Organization's policy is based on the assumption that the spending policy over the long term will not exceed 5% of the average of the fund's previous 12 quarter ending market value, net of fees. The Board of Directors approves the draw rate on an annual basis. The approved appropriation from accumulated appreciation on invested permanently restricted net assets was \$170,000 for the years ended June 30, 2018 and 2017.

In establishing its spending policy, the Organization considered the long-term expected return on its endowment. Accordingly, the Organization's spending policies are conservative and, as such, support the long-term objectives of preserving the purchasing power of the endowment in perpetuity thereby sustaining its ability to support future programs and to provide additional real growth through new gifts and investment return.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement

The Organization follows the provisions of the *Fair Value Measurements* Topic of the FASB ASC. This Topic clarifies that fair value is an exit price representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This Topic establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. Determining where an asset or liability falls within that hierarchy depends on the lowest level input that is significant to the fair value measurement as a whole. The three levels of the fair value hierarchy are described below.

Level 1 - Quoted market prices that are available in active markets for identical assets or liabilities. The types of financial instruments included in Level 1 are marketable equity available for sale securities that are traded in an active exchange market.

Level 2 - Pricing inputs other than quoted prices in active markets, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Instruments included in this category are warrants and derivatives whose value is determined using pricing models with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 includes assets and liabilities whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following is a description of the valuation methodologies used for asset investments measured at fair value, as well as the general classification pursuant to the valuation hierarchy. There have been no changes in the methodologies used at June 30, 2018 and 2017.

- The fair value of money market funds, mutual funds, equity securities and exchange traded funds are valued based upon quoted prices from active markets. These securities are categorized in Level 1 as they are actively traded and no valuation adjustments have been applied.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurement (continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of the certain financial instruments could result in a different fair value measurement at the reporting date.

During the years ended June 30, 2018 and 2017, there were no changes to the Foundation's valuation techniques that had, or are expected to have, a material impact on its financial position or change in net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period the pledge is received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset category.

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

Contributions of services are reported as revenues and expenses of the unrestricted net asset category at the fair value of the services received only if the services create or enhance a non-financial asset or would typically need to be purchased by the Organization if they had not been provided by individuals with those skills. Contributions of goods and services to be used in program operations are reported as revenues and expenses of the unrestricted net asset category at the time the goods or services are received. There is no compensation for services rendered by members of the board of directors, with respect to their services as directors. The majority of contributed services and goods consist of tickets to sporting and other events, and legal services.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

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

Tax Status

The Organization is tax exempt under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

The Organization accounts for uncertain tax positions in accordance with FASB ASC Topic *Income Taxes*. The Topic prescribes a recognition threshold and measurement process for financial statement recognition of uncertain tax positions taken or expected to be taken in a tax return. The Topic also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Organization files informational tax returns in the U.S. federal and Massachusetts state jurisdictions. Management believes that the Organization has no material uncertain tax positions.

Recently Issued But Not Yet Effective Accounting Pronouncements

Financial statement presentation - In August 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-14, *Presentation of Financial Statements of Not-For-Profit Entities* ("ASU 2016-14"), which reduces the number of net asset classes from three to two and increases disclosures about liquidity risks, among other changes. This ASU is effective for years beginning after December 15, 2017. The Organization is evaluating the effect that ASU 2016-14 will have on its financial statements and related disclosures.

Revenue - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"), which requires an entity to recognize revenue to depict the transfer of promised good or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in US GAAP, including industry specific guidance, when it becomes effective. This new guidance is effective for years beginning after December 15, 2018. The Organization is evaluating the effect that ASU 2014-09 will have on its financial statements and related disclosures.

Leases - In February 2016, the FASB issued ASU No. 2016-02, *Leases* ("ASU 2016-02"). This update requires all leases with a term greater than 12 months to be recognized on the statement of position through a right-of-use asset and a lease liability and the disclosure of key information pertaining to leasing arrangements. This new guidance is effective for years beginning after December 15, 2019, with early adoption permitted. The Organization is evaluating the effect that ASU 2016-02 will have on its financial statements and related disclosures.

BIG BROTHERS BIG SISTERS OF MASSACHUSETTS BAY, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

The Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2018, through the date which the financial statements were available to be issued, October 3, 2018, and has determined that, there are no subsequent events that require disclosure under FASB ASC Topic *Subsequent Events*.

NOTE 3. CONTRIBUTIONS RECEIVABLE

The balance of contributions receivable at June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Total contributions receivable:	\$ 6,384,562	\$ 4,705,885
Less:		
Allowances	40,049	50,416
Unamortized discount	<u>193,154</u>	<u>153,474</u>
Net contributions receivable	<u>\$ 6,151,359</u>	<u>\$ 4,501,995</u>
Total contributions receivable:		
Receivable in less than one year	\$ 2,791,562	\$ 1,912,385
Receivable in one to five years	<u>3,593,000</u>	<u>2,793,500</u>
	<u>\$ 6,384,562</u>	<u>\$ 4,705,885</u>

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

NOTE 4. INVESTMENTS

The following is a summary of investments at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Money market	\$ 112,091	\$ 213,565
Mutual funds	2,529,155	2,853,700
Equity securities	818,033	921,022
Exchange traded funds	649,734	843,365
Other	<u>-</u>	<u>15,710</u>
	4,109,013	4,847,362
Less current portion of investments	<u>650,968</u>	<u>1,388,023</u>
	<u>\$ 3,458,045</u>	<u>\$ 3,459,339</u>

The following summarizes market value and cost:

	<u>2018</u>	<u>2017</u>
Market value	<u>\$ 4,109,013</u>	<u>\$ 4,847,362</u>
Cost	<u>\$ 3,725,174</u>	<u>\$ 4,608,013</u>

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NOTE 4. INVESTMENTS (CONTINUED)

The composition of the investment return as reported in statement of activities for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Income from long-term investments consisting of dividends, interest and capital gains	\$ 109,129	\$ 129,942
Investment fees	(36,719)	(41,297)
Net realized and unrealized gains on investments	<u>208,888</u>	<u>380,415</u>
	<u>\$ 281,298</u>	<u>\$ 469,060</u>

NOTE 5. FAIR VALUE MEASUREMENTS

The following fair value hierarchy tables present information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2018:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 112,091	\$ -	\$ -	\$ 112,091
Fixed income mutual funds	1,143,283	-	-	1,143,283
Equity mutual funds	994,051	-	-	994,051
International mutual funds	<u>391,821</u>	<u>-</u>	<u>-</u>	<u>391,821</u>
Total mutual funds	<u>2,641,246</u>	<u>-</u>	<u>-</u>	<u>2,641,246</u>
Domestic equity securities	818,033	-	-	818,033
Exchange traded funds	<u>649,734</u>	<u>-</u>	<u>-</u>	<u>649,734</u>
Total	<u>\$ 4,109,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,109,013</u>

The following fair value hierarchy tables present information about the Organization's assets measured at fair value on a recurring basis as of June 30, 2017:

	<u>Quoted Prices (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>	<u>Total</u>
Money market funds	\$ 213,565	\$ -	\$ -	\$ 213,565
Fixed income mutual funds	1,227,309	-	-	1,227,309
Equity mutual funds	1,223,769	-	-	1,223,769
International mutual funds	<u>402,622</u>	<u>-</u>	<u>-</u>	<u>402,622</u>
Total mutual funds	<u>3,067,265</u>	<u>-</u>	<u>-</u>	<u>3,067,265</u>
Domestic equity securities	921,022	-	-	921,022
Exchange traded funds	843,365	-	-	843,365
Other	<u>-</u>	<u>15,710</u>	<u>-</u>	<u>15,710</u>
Total	<u>\$ 4,831,652</u>	<u>\$ 15,710</u>	<u>\$ -</u>	<u>\$ 4,847,362</u>

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NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Office equipment	\$ 436,067	\$ 436,067
Leasehold improvements	<u>329,401</u>	<u>329,401</u>
	765,468	765,468
Less accumulated depreciation	<u>591,036</u>	<u>479,048</u>
	<u>\$ 174,432</u>	<u>\$ 286,420</u>

NOTE 7. LINE OF CREDIT

The Organization has an unsecured demand line of credit renewable annually with a financial institution for \$500,000. Interest is payable monthly at the higher of the bank's base lending rate or 4% (5% and 4% at June 30, 2018 and 2017, respectively). There were no outstanding borrowings at June 30, 2018 and 2017.

NOTE 8. RESTRICTED NET ASSETS

At June 30, 2018 and 2017, temporarily restricted net assets include amounts restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 4,992,347	\$ 2,647,525
Educational advocacy, scholarship and activities	405,549	387,978
Appreciation on permanently restricted funds	<u>102,770</u>	<u>167,977</u>
	<u>\$ 5,500,666</u>	<u>\$ 3,203,480</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors for the years ended June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Time restricted	\$ 1,705,500	\$ 2,390,500
Camperships	-	211
Educational advocacy, scholarship and activities	<u>20,000</u>	<u>20,000</u>
	<u>\$ 1,725,500</u>	<u>\$ 2,410,711</u>

Permanently restricted net assets totaling \$1,747,761 consist of endowment fund investments to be held indefinitely, a portion of the income from which is expendable for general support.

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NOTE 9. ENDOWMENTS

The Organization's endowment includes funds permanently restricted by donors as well as unrestricted funds designated by the Board of Directors to function as endowments. As required by Generally Accepted Accounting Principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The income generated by the permanently restricted endowment funds is available for the Organization's general operations and is recorded as temporary restricted until appropriated for expenditures.

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 102,772	\$ 1,747,761	\$ 1,850,533
Board-designated endowment funds	<u>1,242,734</u>	<u>-</u>	<u>-</u>	<u>1,242,734</u>
Total funds	<u>\$ 1,242,734</u>	<u>\$ 102,772</u>	<u>\$ 1,747,761</u>	<u>\$ 3,093,267</u>

Changes in Endowment Net Assets for the Year Ended June 30, 2018

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2017	<u>\$ 1,178,279</u>	<u>\$ 167,977</u>	<u>\$ 1,747,761</u>	<u>\$ 3,094,017</u>
Investment return:				
Income	26,124	50,814	-	76,938
Net appreciation	47,056	70,952	-	118,008
Investment management fees	<u>(8,725)</u>	<u>(16,971)</u>	<u>-</u>	<u>(25,696)</u>
Total investment return	<u>64,455</u>	<u>104,795</u>	<u>-</u>	<u>169,250</u>
Appropriated for expenditure	<u>-</u>	<u>(170,000)</u>	<u>-</u>	<u>(170,000)</u>
Balance, June 30, 2018	<u>\$ 1,242,734</u>	<u>\$ 102,772</u>	<u>\$ 1,747,761</u>	<u>\$ 3,093,267</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2017

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 167,977	\$ 1,747,761	\$ 1,915,738
Board-designated endowment funds	<u>1,178,279</u>	<u>-</u>	<u>-</u>	<u>1,178,279</u>
Total funds	<u>\$ 1,178,279</u>	<u>\$ 167,977</u>	<u>\$ 1,747,761</u>	<u>\$ 3,094,017</u>

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NOTE 9. ENDOWMENTS (CONTINUED)

Changes in Endowment Net Assets for the Year Ended June 30, 2017

	Unrestricted Board- Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	\$ <u>1,085,327</u>	\$ <u>173,703</u>	\$ <u>1,747,761</u>	\$ <u>3,006,791</u>
Investment return:				
Income	26,119	46,981	-	73,100
Net appreciation	74,995	131,974	-	206,969
Investment management fees	<u>(8,162)</u>	<u>(14,681)</u>	<u>-</u>	<u>(22,843)</u>
Total investment return	<u>92,952</u>	<u>164,274</u>	<u>-</u>	<u>257,226</u>
Appropriated for expenditure	<u>-</u>	<u>(170,000)</u>	<u>-</u>	<u>(170,000)</u>
Balance, June 30, 2017	\$ <u><u>1,178,279</u></u>	\$ <u><u>167,977</u></u>	\$ <u><u>1,747,761</u></u>	\$ <u><u>3,094,017</u></u>

NOTE 10. BENEFIT PLANS

The Organization has a defined contribution money purchase retirement plan for eligible employees. The plan provides for bi-monthly contributions up to 5% of eligible compensation. The Organization did not make any employer contributions to the plan in 2018 and 2017.

The Organization also maintains a 403(b) retirement plan for employees. Eligible employees may elect to make bi-monthly contributions to the plan. The Organization made matching contributions of \$68,185 and \$71,647 to the plan in 2018 and 2017, respectively.

NOTE 11. RELATED PARTY

The Organization is related by common board members to the Big Brother Big Sister Foundation, Inc. (the "Foundation"). The Foundation contributed \$125,089 and \$195,393 to the Organization during the years ended June 30, 2018 and 2017, respectively.

The Organization is related by affiliation to Big Brothers Big Sisters of America ("BBBSA"). The Organization paid dues and fees of \$38,627 and \$42,232 to BBBSA during the years ended June 30, 2018 and 2017, respectively. Amounts prepaid to BBBSA at June 30, 2018 and 2017 were \$17,568 and \$23,569, respectively, and are included in prepaid expenses and other current assets in the accompanying statements of financial position.

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NOTE 12. CAPITAL LEASE OBLIGATIONS

The Organization leases equipment under capital lease obligations expiring on various dates through January 2020. The Organization's monthly capital lease payments range from \$202 to \$1,328, including principal and interest, through 2020. Assets under capital lease obligations are included in property and equipment and totaled \$67,999 at June 30, 2018 and 2017, respectively. Accumulated depreciation of the assets under capital lease obligation amounted to \$41,564 and \$24,527 at June 30, 2018 and 2017, respectively. Future minimum lease obligations for the years ending June 30 are as follows:

<u>Years</u>	<u>Amount</u>
2019	\$ 18,360
2020	<u>10,105</u>
	28,465
Less amounts representing interest	<u>2,030</u>
Present value of future minimum lease payments	26,435
Less current portion	<u>16,363</u>
Long-term portion	<u><u>\$ 10,072</u></u>

NOTE 13. COMMITMENTS

During June 2014, the Organization amended their lease agreement for the Boston office which expires in December 2019. The amendment included an amount for a construction allowance for certain leasehold improvements, in addition to a lease credit, as defined in the agreement. The Organization, in the accompanying statements of financial position, has recognized this amount as deferred lease incentive and will amortize this amount as occupancy expense over the lease term. At June 30, 2018 and 2017, the deferred lease incentive was \$133,179 and \$236,301, respectively. Occupancy expense including rent, common area maintenance and utility charges was \$486,515 and \$465,611 for the years ended June 30, 2018 and 2017, respectively. The annual lease agreement is subject to real estate tax escalation and other operating expense escalations.

During June 2015, the Organization entered into a lease agreement for office space in Hyannis which expires in May 2020, with the option to renew. Occupancy expenses were \$21,331 and \$22,640 for the years ended June 30, 2018 and 2017 respectively.

Future minimum lease payments are as follows:

2019	\$ 540,784
2020	<u>278,667</u>
	<u><u>\$ 819,451</u></u>