YAVAPAI BIG BROTHERS BIG SISTERS, INC.

(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Management of
Yavapai Big Brothers Big Sisters, Inc.

We have audited the accompanying financial statements of Yavapai Big Brothers Big Sisters, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Yavapai Big Brothers Big Sisters, 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.

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Prior Period Adjustment

In the period year financial statements, endowment funds previously classified as permanently restricted were reclassified as unrestricted. This prior year reclassification was in error. Upon review of historical documentation, management determined that $99,210 of the $100,000 invested in the Arizona Community Foundation (AFC) in 2005 was composed of donor-restricted funds for endowment purposes. Therefore, net assets have been reclassified to reinstate the permanently restricted endowment funds and the related temporarily restricted earnings on endowment funds. Overall net assets remain unchanged due to these reclassifications. Our opinion is not modified with respect to this matter.

Schutts & Hilgendorf

Prescott, Arizona
July 18, 2019

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF FINANCIAL POSITION
As Of June 30, 2018

ASSETS	
Cash and cash equivalents (Note 1)	$ 262,952
Unconditional promises to give,	
net of discount and allowance (Note 1 and 2)	74,368
Events and other accounts receivable	20,235
Grants receivable	15,803
Prepaid expenses	13,281
Purpose-restricted investments held by ACF (Notes 4 and 5)	16,553
TOTAL CURRENT ASSETS	403,192
Inventory of donated items for auction (Note 1)	8,256
Property and equipment, net (Notes 1 and 3)	1,147,858
Endowments held by ACF (Notes 4 and 5)	99,210
TOTAL ASSETS	$ 1,658,516
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 51,192
Accrued expenses (Note 6)	119,752
Current portion of notes payable (Note 7)	5,944
Deferred revenue	9,455
TOTAL CURRENT LIABILITIES	186,343
LONG TERM MORTGAGES PAYABLE (Note 7)	11,494
TOTAL LIABILITIES	197,837
NET ASSETS	
Unrestricted	1,286,778
Temporarily restricted (Note 8)	74,691
Permanently restricted (Note 5 and 8)	99,210
TOTAL NET ASSETS	1,460,679
TOTAL LIABILITIES AND NET ASSETS	$ 1,658,516

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2018

UNRESTRICTED NET ASSETS	
Support and revenue	
Contributions	$ 505,253
Contributions from YBBBS Foundation (Note 17)	27,805
In-kind contributions (Note 12)	32,338
Grants	174,214
Special events	737,700
Less direct costs of events	(120,326)
Net special events revenue	617,374
TOTAL SUPPORT	1,356,984
Interest income on cash accounts	20
TOTAL UNRESTRICTED SUPPORT AND REVENUE	1,357,004
Reclassification of Net Assets	
Net assets released from restrictions and reclassifications	136,378
Reclassification of unrestricted net assets	(114,497)
TOTAL UNRESTRICTED SUPPORT AND REVENUE AND RECLASSIFICATIONS	1,378,885
Functional Expenses (see page 6)	
Program	1,247,331
Management and general	185,716
Fundraising	303,580
TOTAL EXPENSES	1,736,627
INCREASE(DECREASE) IN UNRESTRICTED NET ASSETS	(357,742)
TEMPORARILY RESTRICTED NET ASSETS	
Contributions, pledges and grants	122,419
Investment income	2,376
Investment net appreciation, net of fees	3,790
Net assets released from restrictions and reclassifications	(136,378)
Reclassification of temporarily restricted net assets	15,287
INCREASE(DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	7,494
PERMANENTLY RESTRICTED NET ASSETS	
Reclassification of permanently restricted net assets	99,210
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	99,210
(DECREASE) IN NET ASSETS	(251,038)
NET ASSETS AT BEGINNING OF PERIOD	1,711,717
NET ASSETS AT END OF PERIOD	$ 1,460,679

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2018

	Program	Management and General	Fundraising	Total
Advertising and marketing	$ 16,446	$ 2,430	$ 3,664	$ 22,540
Bad debt	31,004	-	-	31,004
Employee benefits (Note 11)	94,083	9,727	15,136	118,946
Conferences and seminars	6,615	4,442	12,978	24,035
Depreciation expense (Note 3)	19,680	8,225	1,544	29,449
Dues and fees (Note 15)	17,484	17,078	5,074	39,636
Equipment costs	11,572	2,486	1,454	15,512
Events (Note 1)	-	-	10,993	10,993
Fund Development Costs	-	-	17,689	17,689
Insurance	24,613	1,383	1,659	27,655
Interest expense	451	160	-	611
Legal fees	2,658	3,645	105	6,408
Payroll taxes	66,343	6,859	10,673	83,875
Postage	3,076	3,705	13,582	20,363
Printing and publications	3,984	793	18,457	23,234
Professional and outside services	48,021	28,685	38,009	114,715
Program activities and events	27,971	-	-	27,971
Rent expense (Note 9)	2,062	357	113	2,532
Repairs and Maintenance	9,766	1,641	1,491	12,898
Salaries and wages	808,067	83,541	130,008	1,021,616
Scholarships	1,000	-	-	1,000
Supplies	12,666	4,898	15,097	32,661
Telephone	5,341	1,170	713	7,224
Travel and Mileage	22,656	1,020	4,240	27,916
Utilities	6,712	2,500	901	10,113
Volunteer expenses	560	-	-	560
Vista fees	4,500	971	-	5,471
	$ 1,247,331	$ 185,716	$ 303,580	$ 1,736,627
	72%	11%	17%	100%

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2018

CASH FLOW FROM OPERATING ACTIVITIES	
(Decrease) in net assets	$ (251,038)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:	
Depreciation expense	29,449
Bad debt expense	31,004
Amortization of discount on promises to give	(2,711)
Change in donated inventory	5,667
Unrealized (gain)loss on investment	(4,892)
(Increase) decrease in operating assets	
Unconditional promises to give, net of allowance	(36,509)
Events and other accounts receivable, net of allowance	10,144
Grants receivable	62,740
Prepaid expenses	173
(Decrease) increase in operating liabilities	
Accounts payable	38,950
Accrued expenses	16,300
Deferred revenue	9,455
NET CASH (USED) BY OPERATING ACTIVITIES	(91,268)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of fixed assets	(2,694)
Proceeds from investment withdrawals/sale of investments	4,900
Reinvested investment income	(2,376)
Investment fees	1,102
NET CASH (USED) BY INVESTING ACTIVITIES	932
CASH FLOWS FROM FINANCING ACTIVITIES	
Principle payments on mortgages	(5,307)
NET CASH (USED) BY FINANCING ACTIVITIES	(5,307)
NET (DECREASE) IN CASH	(95,643)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	358,595
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 262,952

See notes to financial statements and independent auditors' report

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities
Yavapai Big Brothers Big Sisters, Inc. ("Organization") is a not-for-profit agency incorporated in Arizona in 1971 and is an affiliate of the national organization Big Brothers Big Sisters of America. The mission of the Organization is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever. The purpose of the Organization is to provide a positive support system to children who are at risk generally, but not exclusively, from single-parent homes. The Organization serves Yavapai County with two locations, one in Prescott and one in Cottonwood. The Organization is primarily supported through grants, special events and contributions.

Cash and Cash Equivalents
For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Organization maintains several accounts in one commercial bank, which at times, exceed federally insured limits. To date, the Organization has not experienced any losses in these accounts.

Unconditional Promises to Give
Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on these amounts are computed using a risk-free interest rate (4%) applicable to the year in which the contribution is made. Amortization of the discount is included in contribution revenue. Unconditional promises to give are stated net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on amounts historically written off during the year. The allowance for doubtful accounts for unconditional promises to give was $1,025 at June 30, 2018.

Inventories
Inventories consist of unsold auction items and are recorded at the donors' designated fair market value.

Property and Equipment
Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Purchased property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method of depreciation over three to thirty-nine years. The Organization capitalizes all asset purchases in excess of $2,500.

Income Taxes
The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the year ended June 30, 2018, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services, Materials and Facilities
In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as in-kind contributions on the statement of activities.

Donations of property and equipment (or other long-lived assets) are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporary restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization’s programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition. For the year ended June 30, 2018, the Organization received in excess of 25,000 unskilled volunteer hours.

Donor Imposed Restrictions
All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

When a temporary restriction expires or the restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as assets released from restrictions.

Advertising
The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2018 was $22,540.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Because of the inherent uncertainties in estimating the allowance for doubtful accounts and the discount on unconditional promises to give (4%), it is at least reasonably possible that the estimates used will change within the near term.

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Prior Period Adjustment

In the period year financial statements, endowment funds previously classified as permanently restricted were reclassified as unrestricted. This prior year reclassification was in error. Upon review of historical documentation, management determined that $99,210 of the $100,000 invested in the Arizona Community Foundation (AFC) in 2005 was composed of donor-restricted funds for endowment purposes. Therefore, net assets have been reclassified to reinstate the permanently restricted endowment funds and the related temporarily restricted earnings on endowment funds. Overall net assets remain unchanged due to these reclassifications.

NOTE 2 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when promised. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Due to the nature of the promises in relation to time restriction of use in prior periods, unconditional promises to give are presented in these financial statements as temporarily restricted net assets.

	2018	
Total Unconditional Promises to Give	$81,287	
Less:		
Allowance for doubtful accounts	(4,208)	-
Discount at 4%	(2,711)	
Net Receivable-Temporarily Restricted	$74,368	

Amount due in:	
Less than 1 year	$42,787
One to two years	15,300
Two to three years	13,700
Three to four years	8,500
Four to five years	1,000
	$81,287

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2018
Land	$ 540,000
Buildings	842,877
Furniture and fixtures	113,563
Building improvements	20,245
Software	24,321
Gross property, plant and equipment	1,541,006
Less accumulated depreciation	(393,148)
	$1,147,858

Depreciation expense for the fiscal year ending June 30, 2018 is $29,449.

NOTE 4 – INVESTMENTS HELD BY ACF

Investments are presented in these financial statements at fair market value. The Board has established policies regarding investment objectives and investment guidelines for each fund type.

The Organization transferred $100,000 to the Arizona Community Foundation (ACF) in prior years. An agreement with ACF was executed on June 2, 2005, specifying that the Organization is entitled to 3% earnings annually and that the funds are to be used for operations and administration. The Foundation has no variance power over the funds. As of June 30, 2018, the Organization has a recorded balance of $115,763. Under the agreement, invasion of the principle is allowed for emergency purposes by request of the full Board of Directors by a two-thirds majority vote and approval by the Foundation's Board of Directors. Although the agreement is cancelable, $99,210 of the funds have been earmarked as the remaining permanently restricted net assets that stayed with the Organization after other investment funds were transferred to the Yavapai Big Brothers Big Sisters Foundation. The remaining funds, including accumulated earnings, are recorded as temporarily restricted funds until appropriated by the Board.

Funds are invested in pooled investments in equitable market securities and fixed income securities held by ACF. The fair values of these investments have been estimated using the net asset value (NAV) per share of the investments as provided by ACF, based on the value of each of the underlying investments, less applicable fees charged. The NAV is use as a practical expedient to estimate fair value. The practical expedient is not used when it is determined to be probable that the fund will sell for a different amount than the reported NAV.

At June 30, 2018, the carrying value of investments are summarized as follows:

ACF Funds	
Purpose-restricted - unappropriated earnings and non-donor-restricted funds	$ 16,553
Permanently restricted	99,210
Total ACF Funds	$115,763

NOTE 4 – INVESTMENTS HELD BY ACF (continued)

Changes in investment assets held by ACF are as follows:

Investment held by ACF at beginning of fiscal year	$114,497
Investment income	2,376
Net appreciation/(depreciation)	4,892
Investment fees	(1,102)
Distributions	(4,900)
Investments held by ACF on December 31	$121,121

NOTE 5 – ENDOWMENTS

The Organization's endowment consists of a fund established with contributions restricted by donors for endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization.

NOTE 5 – ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund:

as of June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted funds	$ -	$ -	$99,210	$ 99,210
Unappropriated earnings on endowment	-	16,553	-	16,553
	$ -	$16,553	$99,210	$115,763

Change in Endowment Net Assets for the Fiscal Year Ended June 30, 2017 through June 30 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as stated, June 30, 2017	**$114,497**	**$ -**	**$ -**	**$114,497**
Reclassifications	(114,497)	15,287	99,210	-
Investment return:				
Investment income, net of fees	-	1,274	-	1,274
Net appreciation((realized and unrealized)	-	4,892	-	4,892
Total investment return	-	6,166	-	6,166
Reclassifications and releases	-	(4,900)	-	(4,900)
Endowment net assets, June 30, 2018	**$ -**	**$16,553**	**$99,210**	**$115,763**

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or SPMIFA requires the entity to retain as a fund of perpetual duration. This can be the result of unfavorable market fluctuations in combination with continued appropriation by the Board of Directors for program expenditure. It is believed that there are no deficiencies of this nature at June 30, 2018, due to the accumulated earnings included in the permanent net assets held over a long period of time. Current market gains have been classified as temporarily restricted in accordance with policy until appropriated by the Board of Directors.

Risk Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include the assets of the donor-restricted funds that the entity must hold in perpetuity.

NOTE 5 – ENDOWMENTS (continued)

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to outperform over market cycle an appropriate pre-specified market index rate of return, and to achieve favorable investment results relative to investors with similar objectives and policies, and to achieve the maximum total return over the long term that is commensurate with a reasonable degree of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year no more than 3 percent of the endowment fund's totals. The percentage is determined by analyzing the past ten (10) years' rate of return and the current year's earnings. Any remaining earnings are reinvested into the fund to grow the endowment. This is consistent with the entities' objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return.

NOTE 6 – ACCRUED EXPENSES

Total accrued expenses consist of the following at June 30, 2018:

Accrued Vacation Time	$ 42,870
Accrued Wages	31,416
Other Accrued Expenses	45,466
Total	$119,752

NOTE 7 – MORTGAGES PAYABLE

The Organization refinanced its office facility in Cottonwood with a private party note payable for $42,117 on July, 2013. The note carries an interest rate of 3% per annum until July 1, 2021 when the remainder will be paid in full. Monthly payments are $494. The balance of the note as of June 30, 2018 is $17,438.

Future scheduled maturities of the mortgage as of June 30, 2018 are:

2019	$ 5,944
2020	5,661
2021	5,833
	$17,438

NOTE 8 – RESTRICTED NET ASSETS

All donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. Temporarily restricted net assets include donor-restricted contributions and grants restricted by time or purpose. When a restriction expires, temporarily restricted net assets with time and purpose restrictions are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

Temporarily Restricted Net Assets	2018
Unconditional promises to give with time restrictions, net	$38,500
Contributions restricted by purpose	19 638
Accumulated earnings on donor restricted endowments	16,553
	$74,691
Permanently Restricted Net Assets	
Restricted endowment funds	$99,210

NOTE 9 – OPERATING LEASES

The Organization rents two storage facilities under month-to-month rental agreements. The cost for these storage facilities is listed as Rent expense on the Statement of Functional Expenses. Total rent expense for the year ending June 30, 2018 is $2,532.

The Organization executed an operating lease dated July 2014 for a copier with an initial term of 63 months, renewable on an annual basis thereafter. Monthly minimum payments are $723 plus usage fees. The lease was transferred to a new copier under operating leases dated November 2017 with an initial term of 63 months. Monthly minimum payments are $1,187 plus usage fees. Copier rental expense is included with Equipment costs on the Statement of Functional Expenses. Total equipment costs for the year ending June 30, 2018 is $15,512.

The Organization executed an operating lease dated June 2018 for a postage machine with a term of 48 months. Quarterly payments are $166 plus postage. Postage meter expense is included with Postage on the Statement of Functional Expenses. Total postage meter expense for the year ending June 30, 2018 is $662.

The minimum lease payments required under the above operating leases as of June 30, are as follows:

Year ending June 30,	
2019	$14,908
2020	14,908
2021	14,908
2022	14,908
2023	8,310
	$67,942

NOTE 10 – LINE OF CREDIT

The Organization has an unsecured bank line of credit for any amount up to $200,000. Draws on the line of credit bear interest at the greater of 0.25% under the Prime Rate or 3.0% and is payable monthly. For the year ending June 30, 2018, no draws were taken on the line of credit and there is no balance outstanding.

NOTE 11 – RETIREMENT PLAN

The Organization contributed to a 403(b) retirement plan on behalf of eligible employees until December 31, 2013 when the plan was replaced by a Simple IRA. Employees become eligible for the plan on January 1 following the accumulation of at least $5,000 in wages, contingent upon the expectation that the employee will accumulate at least an additional $5,000 the following year. Contributions to the Simple IRA by eligible employees and the Organization are voluntary. The contribution percentage is determined by the Organization's board each year and cannot exceed 3% of compensation. During the period ending June 30, 2018, the Organization contributed $7,742 and to this plan, which is included in employee benefits in the Statement of Functional Expenses.

NOTE 12 – IN-KIND CONTRIBUTIONS

In-kind contributions consist of the following at June 30, 2018:

Donated auction items not sold	$ 8,256
In-kind services and supplies	32,338
Total	$40,594

NOTE 13 – RELATED PARTY TRANSACTIONS

Total unconditional promises to give and other receivables from various board members and members of management total $48,244 (47% of gross promises and other receivables) at June 30, 2018. No losses are expected. The collection period is from one to four years.

NOTE 14 – CONCENTRATIONS

Financial instruments that potentially subject the Organization to credit risk are Promises to Give and Investments. Promises to Give and other accounts receivable are concentrated with board members and members of management owing 47% of the total gross promises and other receivables for the year ended June 30, 2018. No losses are expected from these pledges.

Investments are held in high quality institutions that are members of SIPC and guaranteed up to $500,000. Management does not expect to incur losses.

NOTE 15 – PAYMENTS TO AFFILIATES

The Organization pays an annual affiliation fee and a software subscription fee to Big Brothers Big Sisters of America. Total paid to BBBSA for the year ending June 30, 2018 was $16,196 and is included in Due and fees in the Statements of Functional Expenses.

NOTE 16 – AFFILIATED ENTITIES

While the Organization has an economic interest in the Yavapai Big Brothers Big Sisters Foundation (YBBBSF), it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization. The mission of YBBBSF is to assure the sustainability of YBBBS programs through the building of an endowment to support the Organization's mission in future years. For the year ended June 30, 2018, the Organization received $27,805 from the YBBBSF.

NOTE 17 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the years ending June 30, 2018 was $611.

NOTE 18 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 18, 2019, the date which the financial statements were available to be issued. Nothing was noted that would require disclosure in these financial statements.