YAVAPAI BIG BROTHERS BIG SISTERS, INC.

(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
Year Ended June 30, 2019

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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, 2019, and the related statements of activities, 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 Yavapai Big Brothers Big Sisters, Inc. as of June 30, 2019, 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.

2086 Willow Creek Road
928-778-0079 Fax: 928-778-0261
www.prescottaccountants.com

Effect of Adopting New Accounting Standard

As discussed in Note 1, the Financial Accounting Standards Board recently issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities which supersedes accounting standards that currently exist under GAAP and addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and return on investments. In August 2016, the FASB issued ASU 2016-14, which is effective for periods beginning after December 15, 2017, and interim reporting periods within annual reporting periods beginning after December 15, 2018. The ASU has been applied retrospectively to all periods presented.

Schutts & Hilgendorf

Prescott, Arizona
June 15, 2020

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2019

ASSETS	
Cash and cash equivalents (Note 1)	$ 166,067
Unconditional promises to give,	
net of discount and allowance (Notes 1 and 3)	45,582
Events and other accounts receivable, net of allowance (Note 1)	24,155
Prepaid expenses (Note 1)	10,078
Purpose-restricted investments held by ACF (Notes 4 and 6)	13,727
TOTAL CURRENT ASSETS	259,609
Inventory of donated items for auction (Note 1)	8,256
Property and equipment, net (Notes 1 and 5)	1,118,791
Endowments held by ACF (Notes 4 and 6)	99,210
TOTAL ASSETS	$ 1,485,866
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 36,671
Accrued expenses (Note 7)	76,056
Line of credit (Note 8)	148,270
Current portion due to affiliate (Note 14)	6,000
Current portion of mortgage payable (Note 9)	5,661
Deferred revenue	10,000
TOTAL CURRENT LIABILITIES	282,658
Long-term due to affiliate (Note 14)	5,000
Long-term mortgage payable (Note 9)	5,835
TOTAL LIABILITIES	293,493
NET ASSETS	
Without donor restrictions	1,004,019
With donor restrictions	
Restricted by time or purpose (Note 10)	89,144
Held in perpetuity (Notes 6 and 10)	99,210
TOTAL NET ASSETS	1,192,373
TOTAL LIABILITIES AND NET ASSETS	$ 1,485,866

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF ACTIVITIES
Year Ended June 30, 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS	
Support and revenue	
Contributions and pledges	$ 320,475
Contributions from YBBBS Foundation (Note 14)	30,490
In-kind contributions	69,591
Grants	64,978
Special events	617,124
Less direct costs of events	(118,355)
Net special events revenue	498,769
	984,303
Gain (loss) on asset disposition	(2,171)
Insurance proceeds	5,532
Interest income on cash accounts	187
TOTAL SUPPORT AND REVENUE WITHOUT RESTRICTIONS	987,851
Net assets released from restrictions and reclassifications	139,071
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS WITHOUT RESTRICTIONS	1,126,922
Functional Expenses	
Program	1,010,539
Management and general	265,632
Fundraising	133,510
TOTAL EXPENSES	1,409,681
INCREASE(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(282,759)
NET ASSETS WITH DONOR RESTRICTIONS	
Contributions and pledges	12,650
Grants	138,800
Investment income	1,107
Realized and unrealized gain (loss) on investments, net of fees	967
Net assets released from restrictions and reclassifications	(139,071)
INCREASE(DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	14,453
(DECREASE) IN NET ASSETS	(268,306)
NET ASSETS AT BEGINNING OF PERIOD	1,460,679
NET ASSETS AT END OF PERIOD	$ 1,192,373

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Advertising and marketing	$ 12,161	$ 1,651	$ 1,201	$ 15,013
Bad debt	5,943	-	-	5,943
Compluter expenses	28,603	3,884	2,825	35,312
Conferences and seminars	3,559	483	351	4,393
Depreciation expense (Note 5)	19,634	4,841	2,421	26,896
Dues and fees (Note 14)	28,050	10,596	3,705	42,351
Employee benefits (Note 12)	61,074	17,450	8,725	87,249
Equipment costs (Note 11)	13,856	1,882	1,368	17,106
Events (Note 1)	6,982	-	9,080	16,062
Insurance	33,071	6,741	3,336	43,148
Interest expense	6,051	822	597	7,470
Legal fees	6,313	9,470	-	15,783
Long-term study cancellation fee (Note 14)	-	12,000	-	12,000
Payroll taxes	44,335	12,667	6,334	63,336
Postage	4,983	677	492	6,152
Printing and publications	7,290	990	720	9,000
Professional and outside services	27,544	3,741	2,720	34,005
Program activities and events	45,607	-	-	45,607
Rent expense (Note 11)	10,937	-	-	10,937
Repairs and Maintenance	12,192	3,006	1,504	16,702
Salaries and wages	585,063	167,161	83,579	835,803
Supplies	11,758	1,597	1,161	14,516
Telephone	4,096	556	404	5,056
Travel and Mileage	20,394	2,769	2,014	25,177
Utilities	7,272	1,793	897	9,962
Vista fees	3,000	750	-	3,750
Miscellaneous expenses	771	105	76	952
	$ 1,010,539	$ 265,632	$ 133,510	$ 1,409,681
	72%	19%	9%	100%

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF CASH FLOWS
Year Ended June 30, 2019

CASH FLOW FROM OPERATING ACTIVITIES	
(Decrease) in net assets	$ (268,306)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:	
Depreciation expense	26,896
Bad debt expense	5,943
Amortization of discount on promises to give	(1,043)
Gain (loss) on asset disposition	2,171
Unrealized (gain)loss on investment	(967)
(Increase) decrease in operating assets	
Unconditional promises to give, net of allowance	23,886
Events and other accounts receivable, net of allowance	(3,920)
Grants receivable	15,803
Prepaid expenses	3,203
(Decrease) increase in operating liabilities	
Accounts payable	(14,521)
Accrued expenses	(43,696)
Due to affiliate	11,000
Deferred revenue	545
NET CASH (USED) BY OPERATING ACTIVITIES	(243,006)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from investment withdrawals/sale of investments	4,900
Reinvested investment income	(2,236)
Investment fees	1,129
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,793
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from line of credit	354,280
Principal payments on line of credit	(206,010)
Principle payments on mortgages	(5,942)
NET CASH PROVIDED BY FINANCING ACTIVITIES	142,328
NET (DECREASE) IN CASH	(96,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	262,952
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 166,067

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.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis of accounting, revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred. The significant accounting policies followed are described below.

Financial Statement Presentation
Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (FASB) in accordance with GAAP. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated that the funds or assets be maintained in perpetuity.

Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a donor restriction ends or purpose is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions, and are reported in the statement of activities as net assets released from restrictions.

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.

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

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. Accounts deemed uncollectible are either charged to an allowance or written off to bad debt. During the year ended June 30, 2019, $1,233 of unconditional promises to give were written off to bad debt. The allowance for doubtful accounts for unconditional promises to give was $6,600 at June 30, 2019.

Events and Other Accounts Receivable
Events and other accounts receivable are expected to be collected within one year and are recorded at their net realizable value. Accounts deemed uncollectible are either charged to an allowance or written off to bad debt. During the year ended June 30, 2019, $159 of events and other accounts receivable were written off to bad debt. The allowance for doubtful accounts for events and other accounts receivable was $750 at June 30, 2019.

Prepaid Expenses
Prepaid expenses consist of insurance premiums as of June 30, 2019.

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 support without donor restriction 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.

Repair and maintenance costs are expensed as incurred.

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, 2019, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

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 support without donor restrictions 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 support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records various types of in-kind contributions, including professional services, advertising, and goods and materials. Generally, professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

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. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. For the year ended June 30, 2019, the Organization received in excess of 25,000 unskilled volunteer hours.

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, 2019 was $15,013.

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.

The costs of providing the programs and other various activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All time and expenses are tracked internally and reported by department based on actual usage. Expenses that are directly identifiable by department are charged directly to programs on the basis of what department incurred the cost. Expenses that are directly identifiable by department include salaries and wages, supplies, maintenance and repairs, municipalities expense, postage and printing. Expenses such as employee benefits and payroll taxes are allocated based on salary allocations by department. Other program-related expenses, such as depreciation, insurance, and utilities, are allocated based on property and equipment usage by department. Administration and fundraising expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. All other expenses are allocated on the basis of estimates of time and effort.

Change in Accounting Principal

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information about expenses and return investment. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

NOTE 2 – AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets at June 30, 2019:

Cash and cash equivalents	$166,067
Unconditional promises to give, net	45,582
Events and other accounts receivable, net	24,155
Total financial assets at year-end	235,804
Less those unavailable for general expenditures within one year, due to:	
Donor-imposed purpose restrictions	(29,835)
Promises to give due in 2 to 5 years, net	(21,682)
Financial assets available to meet cash needs for general expenditures within one year	$184,287

NOTE 2 – AVAILABILITY AND LIQUIDITY (continued)

The Organization maintains sufficient resources to meet donor-imposed restrictions.

As discussed in Note 4, funds held at the Arizona Community Foundation (ACF) can be drawn on 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. The balance in the ACF fund as of June 30, 2019 is $112,937.

In addition, the Organization maintains a line of credit that can be drawn upon to meet unexpected liquidity needs (see Note 8). The credit limit is $200,000, and as of June 30, 2019, the amount available to draw upon was $51,730.

NOTE 3 – 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 net assets with donor restrictions that are restricted by time or purpose.

	2019
Total Unconditional Promises to Give	$53,850
Less:	
Allowance for doubtful accounts	(6,600)
Discount at 4%	(1,668)
Net Receivable With Donor Restrictions	$45,582

Amount due in:	
Less than 1 year	$26,100
One to two years	13,600
Two to three years	12,450
Three to four years	1,200
Four to five years	500
	$53,850

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 Organization has no variance power over the funds.

As of June 30, 2019, the Organization has a recorded balance of $112,937. 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 net assets held in perpetuity 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 net assets restricted by time or purpose 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, 2019, the carrying value of investments are summarized as follows:

ACF Funds	
Time or purpose restricted	$ 13,727
Held in perpetuity	99,210
Total ACF Funds	$112,937

Changes in investment assets held by ACF are as follows:

Investment held by ACF at beginning of fiscal year	$121,121
Investment income	2,236
Net appreciation/(depreciation)	967
Investment fees	(1,129)
Distributions	(4,900)
Investments held by ACF on June 30, 2019	$112,937

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019
Land	$ 540,000
Buildings	842,877
Furniture and fixtures	113,563
Building improvements	20,245
Software	21,626
Gross property, plant and equipment	1,538,311
Less accumulated depreciation	(419,520)
	$1,118,791

Depreciation expense for the fiscal year ending June 30, 2019 is $26,896.

NOTE 6 – 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 net assets held in perpetuity (a) the original value of gifts donated to the endowment, to be held in perpetuity, (b) the original value of subsequent gifts to the endowment, to be held in perpetuity, and (c) accumulations to the endowment to be held in perpetuity, 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 net assets held in perpetuity is classified as net assets restricted by time or purpose 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 6 – ENDOWMENTS (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Restriction	Time or purpose Restricted	Held in Perpetuity	Total
Donor-restricted funds	$ -	$ -	$99,210	$ 99,210
Unappropriated earnings on endowment	-	13,727	-	13,727
	$ -	$13,727	$99,210	$112,937

Change in Endowment Net Assets for the Fiscal Year Ended June 30, 2018 through June 30 2019:

	Without Restriction	Time or purpose Restricted	Held in Perpetuity	Total
Endowment net assets, as stated, June 30, 2018	**$ -**	**$16,553**	**$99,210**	**$115,763**
Investment return:				
Investment income, net of fees	-	1,107	-	1,107
Net appreciation (realized and unrealized)	-	967	-	967
Total investment return	-	2,074	-	2,074
Reclassifications and releases	-	(4,900)	-	(4,900)
Endowment net assets, June 30, 2019	**$ -**	**$13,727**	**$99,210**	**$112,937**

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, 2019, due to the accumulated earnings on the funds held in perpetuity. Current market gains have been classified as time or purpose 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 6 – 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 7 – ACCRUED EXPENSES

Total accrued expenses consist of the following at June 30, 2019:

Accrued Vacation Time	$34,445
Accrued Wages	30,158
Other Accrued Expenses	11,453
Total	$76,056

NOTE 8 – 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. The line was drawn on during the year for operational purposes, and the outstanding line of credit balance as of June 30, 2019 was $148,270.

Interest expense incurred on the line of credit during the fiscal year ended June 30, 2019 was $6,990

NOTE 9 – 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, 2019 is $11,496.

Future scheduled maturities of the mortgage as of June 30, 2019 are:

2020	$ 5,661
2021	5,835
	$11,496

NOTE 10 – RESTRICTED NET ASSETS

All donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-restricted net assets fall into two categories: assets with time or purpose donor-imposed restrictions that are temporary in nature, and assets with donor restrictions that are perpetual in nature. Donor restrictions that are temporary in nature will be met by the actions of the Organization or the passage of time. Donor restrictions that are perpetual in nature require, per donor stipulation, that the donated funds or assets be maintained in perpetuity. When a restriction that is temporary in nature expires, net assets with donor restrictions are reclassified to net assets without donor restriction, and are reported in the Statement of Activities as net assets released from restrictions.

Net Assets Restricted by Time or Purpose	2019
Unconditional promises to give with time restrictions, net	$45,582
Contributions restricted by purpose	29,835
Accumulated earnings on donor restricted endowments	13,727
	$89,144
Net Assets Held in Perpetuity	
Restricted endowment funds	$99,210

NOTE 11 – 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, 2019 is $10,937.

The Organization executed an operating lease dated November 2017 for a copier 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.

NOTE 11 – OPERATING LEASES (continued)

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 machine rental expense is included with Equipment costs on the Statement of Functional Expenses. Postage expense is included with Postage on the Statement of Functional Expenses.

Total equipment rental costs for the year ended June 30, 2019 were $17,106.

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

Year ending June 30,	
2020	$14,908
2021	14,908
2022	14,908
2023	8,310
	$53,034

NOTE 12 – 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, 2019, the Organization contributed $5,100 and to this plan, which is included in employee benefits in the Statement of Functional Expenses.

NOTE 13 – RELATED PARTY TRANSACTIONS

Total unconditional promises to give and other receivables from various board members and members of management total $23,468 (30% of gross promises and other receivables) at June 30, 2019. The collection period is from one to five years. An allowance has been established in accordance with Organizations guidelines for all promises and receivables that may not ultimately be collectable.

NOTE 14 – AFFILIATED ENTITIES

The Organization is affiliated with both Big Brothers Big Sisters of America (BBBSA) and the Yavapai Big Brothers Big Sisters Foundation (YBBBSF). While the Organization has an economic interest in 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, 2019, the Organization received $30,490 from the YBBBSF.

NOTE 14 – AFFILIATED ENTITIES (continued)

The Organization pays an annual affiliation fee, a software subscription fee, and a technology license fee to BBBSA. Total paid to BBBSA for the year ending June 30, 2019 was $19,851 and is included in Dues, licenses, and fees in the Statements of Functional Expenses.

During the year ended June 30, 2019, the Organization decided not to participate in a certain long-term study, and BBBSA assessed a $12,000 cancellation fee. That fee is being paid to BBBSA at $500 per month over a 2-year period. As of June 30, 2019, the remaining amount due was $11,000.

NOTE 15 – CONCENTRATIONS

During the year ended June 30, 2019, one donor accounted for 15.9% of total revenue.

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 30% of the total gross promises and other receivables for the year ended June 30, 2019.

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 16 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization relies heavily on donations from key donors and board members, and on grants from affiliated entities. The current level of the Organization’s operations and program services may be severely impacted if funding from these sources is not continued or if new funding is not obtained. The Organization continuously seeks funding from existing and new donors, grantor agencies, and foundations, and pro-actively looks for expense-cutting opportunities.

NOTE 17 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the year ending June 30, 2019 was $7,470.

NOTE 18 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through June 15, 2020, the date which the financial statements were available to be issued. Nothing was noted that would require disclosure in these financial statements.

Subsequent to year-end, the United States and global markets experienced significant declines in value resulting from uncertainty caused by the world-wide coronavirus pandemic. The extent to which the coronavirus pandemic may impact the Organization’s operations, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be reasonably predicted.