YAVAPAI BIG BROTHERS BIG SISTERS, INC.

(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS
Years Ended June 30, 2021 and 2020

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Slater & Rutherford CPA'S
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2086 Willow Creek Road
Prescott · Arizona · 86301
Phone: 928-778-0079 · Fax: 928-778-0261
prescottaccountants.com

INDEPENDENT AUDITORS' REPORT

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

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, 2021 and 2020, 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 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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Slater & Rutherford

Prescott, Arizona
January 28, 2022

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2021 and 2020

ASSETS	2021	2020
Cash and cash equivalents	$ 250,149	$ 331,760
Unconditional promises to give,		
net of discount and allowance (Note 3)	6,000	13,919
Events and other accounts receivable, net of allowance	6,614	18,201
Grants receivable (Note 16)	66,475	50,000
Prepaid expenses	10,219	7,742
Purpose-restricted investments held by ACF (Notes 4, 5 and 6)	29,956	6,567
TOTAL CURRENT ASSETS	369,413	428,189
Inventory of donated items for auction	9,875	5,063
Employee Retention Credit refund due (Note 8)	250,299	-
Property and equipment, net (Note 7)	1,086,311	1,097,067
Donor-restricted endowments held by ACF (Notes 4, 5 and 6)	99,210	99,210
TOTAL ASSETS	$ 1,815,108	$ 1,629,529
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 16,351	$ 21,423
Accrued liabilities	65,718	65,936
Due to affiliate (Note 16)	-	5,500
Mortgage payable (Note 9)	-	5,373
Deferred revenue	7,070	6,500
TOTAL CURRENT LIABILITIES	89,139	104,732
Payroll Protection Program loan obligation (Note 10)	151,891	185,300
Economic Injury Disaster Loan payable (Note 11)	150,000	150,000
TOTAL LIABILITIES	391,030	440,032
NET ASSETS		
Without donor restrictions	1,280,912	1,064,801
With donor restrictions		
Restricted by time or purpose (Note 12)	43,956	25,486
Held in perpetuity (Notes 6 and 12)	99,210	99,210
TOTAL NET ASSETS	1,424,078	1,189,497
TOTAL LIABILITIES AND NET ASSETS	$ 1,815,108	$ 1,629,529

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2021 and 2020

	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Support and revenue		
Contributions and pledges	$ 479,661	$ 451,250
Contributions from YBBBS Foundation (Note 16)	23,128	57,744
In-kind contributions	45,404	93,484
Grants	156,315	111,811
Special events, net of direct costs	15,775	224,674
Bad debt recovery	2,211	-
Other revenue		
Employee Retention Credit refund (Note 8)	250,299	-
Forgiveness of Payroll Protection Program loan obligation (Note 10)	185,300	-
Other revenue	5,326	-
Interest income on cash accounts	126	211
TOTAL SUPPORT AND REVENUE WITHOUT RESTRICTIONS	1,163,545	939,174
Net assets released from restrictions and reclassifications	17,819	304,398
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS WITHOUT RESTRICTIONS	1,181,364	1,243,572
Functional Expenses		
Program	679,922	850,448
Management and general	191,202	221,754
Fundraising	94,129	110,588
TOTAL EXPENSES	965,253	1,182,790
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	216,111	60,782
NET ASSETS WITH DONOR RESTRICTIONS		
Contributions and pledges	-	225,000
Grants	8,000	18,000
Investment income, net of fees	997	1,369
Realized and unrealized gains (losses) on investments	27,292	(3,629)
Net assets released from restrictions and reclassifications	(17,819)	(304,398)
INCREASE(DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	18,470	(63,658)
INCREASE(DECREASE) IN NET ASSETS	234,581	(2,876)
NET ASSETS AT BEGINNING OF PERIOD	1,189,497	1,192,373
NET ASSETS AT END OF PERIOD	$ 1,424,078	$ 1,189,497

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended Year Ended June 30, 2021

	Program	Management and General	Fundraising	Total
Advertising and marketing	$ 42,755	$ 5,806	$ 4,223	$ 52,784
Bank and credit card fees	3,374	458	333	4,165
Computer expenses	19,769	2,685	1,952	24,406
Conferences and seminars	1,132	154	112	1,398
Depreciation expense (Note 8)	17,798	4,388	2,194	24,380
Dues and fees	18,378	15,964	2,702	37,044
Employee benefits	50,565	14,447	7,224	72,236
Equipment costs (Note 13)	2,220	301	219	2,740
Events	-	-	4,148	4,148
Insurance	23,623	5,865	2,552	32,040
Interest expense	3,290	447	325	4,062
Legal fees	527	790	-	1,317
Office expenses	5,641	766	557	6,964
Payroll processing	-	6,456	-	6,456
Payroll taxes	31,369	8,963	4,481	44,813
Postage	866	118	86	1,070
Printing and publications	1,282	174	127	1,583
Professional and outside services	19,897	2,702	1,965	24,564
Program activities and events	3,825	-	-	3,825
Rent expense (Note 13)	4,546	617	449	5,612
Repairs and maintenance	4,784	1,180	590	6,554
Salaries and wages	404,875	115,679	57,839	578,393
Supplies	4,602	625	454	5,681
Telecommunications	5,305	720	524	6,549
Travel and mileage	3,425	465	338	4,228
Utilities	5,487	1,353	677	7,517
Miscellaneous expenses	587	79	58	724
	$ 679,922	$ 191,202	$ 94,129	$ 965,253
	70%	20%	10%	100%

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended Year Ended Year Ended Year Ended Year Ended Year Ended June 30, 2020

	Program	Management and General	Fundraising	Total
Advertising and marketing	$ 6,969	$ 946	$ 688	$ 8,603
Bad debt	18,281	-	-	18,281
Computer expenses	17,260	2,344	1,705	21,309
Conferences and seminars	2,074	281	205	2,560
Depreciation expense (Note 5)	15,859	3,910	1,955	21,724
Dues and fees	24,772	13,519	3,255	41,546
Employee benefits	61,901	17,686	8,843	88,430
Equipment costs (Note 13)	13,234	1,797	1,307	16,338
Events	-	-	150,632	150,632
Insurance	29,171	6,560	3,082	38,813
Interest expense	3,967	539	391	4,897
Legal fees	885	1,328	-	2,213
Office expenses	11,353	1,542	1,121	14,016
Payroll processing	5,723	1,635	818	8,176
Payroll taxes	39,528	11,294	5,647	56,469
Postage	741	101	73	915
Printing and publications	1,508	205	149	1,862
Professional and outside services	30,429	4,132	3,005	37,566
Program activities and events	8,257	-	-	8,257
Rent expense (Note 13)	4,349	590	429	5,368
Repairs and maintenance	10,094	2,489	1,245	13,828
Salaries and wages	508,482	145,280	72,639	726,401
Supplies	6,194	842	612	7,648
Telephone	5,865	796	579	7,240
Travel and mileage	16,479	2,238	1,627	20,344
Utilities	6,674	1,646	823	9,143
Miscellaneous expenses	399	54	39	492
	850,448	221,754	260,869	1,333,071
Less expenses included with revenues on the Statements of Activities				
Special events direct expenses	-	-	(150,281)	(150,281)
Total expenses included in the expense section on the Statements of Activities	$ 850,448	$ 221,754	$ 110,588	$ 1,182,790
	72%	19%	9%	100%

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2021 and 2020

CASH FLOW FROM OPERATING ACTIVITIES	2021	2020
Increase (Decrease) in net assets	$ 234,581	$ (2,876)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation expense	24,380	21,724
Bad debt expense	-	18,281
Amortization of discount on promises to give	(1,043)	(1,043)
Change in donated inventory	(4,812)	3,193
Unrealized (gain)loss on investment	(27,292)	3,629
Forgiveness of Payroll Protection Program loan obligation	(185,300)	-
(Increase) decrease in operating assets		
Unconditional promises to give, net of allowance	8,962	14,425
Events and other accounts receivable, net of allowance	11,587	5,954
Grants receivable	(16,475)	(50,000)
Prepaid expenses	(2,477)	2,336
ERC refund due	(250,299)	-
(Decrease) increase in operating liabilities		
Accounts payable	(5,072)	(15,248)
Accrued expenses	(218)	(10,120)
Due to affiliate	(5,500)	(5,500)
Deferred revenue	570	(3,500)
NET CASH (USED) BY OPERATING ACTIVITIES	(218,408)	(18,745)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,624)	-
Proceeds from investment withdrawals	4,900	4,900
Reinvested investment income	(2,139)	(2,423)
Investment fees	1,142	1,054
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(9,721)	3,531
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	50,000
Principal payments on line of credit	-	(198,270)
Principle payments on mortgages	(5,373)	(6,123)
Proceeds from Payroll Protection Program loan	151,891	185,300
Proceeds from Economic Injury Disaster Loan	-	150,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	146,518	180,907
NET INCREASE(DECREASE) IN CASH	(81,611)	165,693
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	331,760	166,067
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 250,149	$ 331,760

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 Statements 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 years ended June 30, 2021 and 2020, $3,890 and $3,600, respectively, of unconditional promises to give were written off. The allowance for doubtful accounts for unconditional promises to give was $12,800 and $18,790 at June 30, 2021 and 2020, respectively.

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 years ended June 30, 2021 and 2020, $1,866 and $0, respectively, of events and other accounts receivable were written off. In addition, during the year ended June 30, 2021, accounts that were written off in the prior years were recovered. Because all accounts written off in the current year were charged against the existing allowance, no bad debt expense was incurred, and the recovery of amounts previously written off is listed as *Bad debt recovery* on the Statements of Activities. The allowance for doubtful accounts for events and other accounts receivable was $1,500 and $3,476 at June 30, 2021 and 2020, respectively.

Prepaid Expenses

Prepaid expenses consist of insurance premiums and prepaid event expenses as of June 30, 2021 and 2020.

Inventories

Inventories consist of unsold auction items and are recorded at the lesser of the donors' designated value or the estimated 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 years ended June 30, 2021 and 2020, 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)

Accrued Liabilities

Total accrued liabilities consist of the following at June 30,:

	2021	2020
Accrued vacation time	$30,228	$31,973
Accrued wages	27,762	33,697
Accrued interest	3,968	-
Other accrued expenses	3,760	266
Total	$65,718	$65,936

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 ended June 30, 2020 for operational purposes. It was not drawn on during the year ended June 30, 2021. The outstanding line of credit balance as of June 30, 2021 and 2020, was $0 per year.

Interest expense incurred on the line of credit during the fiscal year ended June 30, 2020 was $4,597.

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* in the Statements 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.

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

Contributed Services, Materials and Facilities (continued)
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 years ended June 30, 2021 and 2020, the Organization received in excess of 25,000 unskilled volunteer hours per year.

Advertising
The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was $52,784 and $8,603, respectively.

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.

Reclassifications
Certain prior year amounts have been reclassified to conform to the current year presentation. Net assets were not changed as a result of these reclassifications.

Functional Allocation of Expenses
The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities and the Statements 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 Statements of Activities and the Statements 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.

NOTE 2 – AVAILABILITY AND LIQUIDITY

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

	2021	2020
Cash and cash equivalents	$250,149	$331,760
Unconditional promises to give, net	6,000	13,919
Events and other accounts receivable, net	6,614	18,201
Grants receivable	66,475	50,000
Total financial assets at year-end	329,238	413,880
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	(8,000)	(5,000)
Promises to give due in 2 to 5 years, net	-	(5,769)
Financial assets available to meet cash needs for general expenditures within one year	$321,238	$403,111

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

As discussed in Note 5, 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, 2021 and 2020 is $129,166 and $105,777 , respectively.

In addition, the Organization maintains a line of credit that can be drawn upon to meet unexpected liquidity needs. The credit limit is $200,000, and as of June 30, 2021 and 2020, the amount available to draw upon was $200,000.

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.

	2021	2020
Total Unconditional Promises to Give	$18,800	$32,940
Less:		
Allowance for doubtful accounts	(12,800)	(18,790)
Discount at 4%	-	(231)
Net Receivable With Donor Restrictions	$6,000	$13,919

All outstanding pledges receivable as of June 30, 2021 are due within 1 year.

NOTE 4 – FAIR VALUE MEASUREMENTS AND DISCLOSURES

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, the Organization develops inputs using the best information available in the circumstances.

The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk, or liquidity profile of the asset.

The fair values of certain investment assets have been estimated using the net asset value (NAV) per share, based on the value of each of the underlying investments, less applicable fees charged. The NAV is used as a practical expedient to estimate fair value of investments that do not have readily determinable fair values. 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. Investments that are measured at fair value using NAV are not classified in the fair value hierarchy.

The carrying amount of the following financial instruments approximate fair value because of their short liquidity and short maturity of the instruments: cash and cash equivalents, events and other accounts receivable, grants receivable, prepaid expenses, accounts payable, and accrued liabilities.

The Organization did not have any financial instruments that fall into the fair value hierarchy during the years ended June 30, 2021 and 2020. As discussed in Note 5, investment held by ACF are valued using the NAV per share.

NOTE 5 – INVESTMENTS HELD BY ACF

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, 2021 and 2020, the Organization has a recorded balance of $129,166 and $105,777, respectively. 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 cancellable, $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.

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

ACF Funds	2021	2020
Time or purpose restricted	$ 29,956	$ 6,567
Held in perpetuity	99,210	99,210
Total ACF Funds	$129,166	$105,777

Changes in investment assets held by ACF are as follows:

	2021	2020
Investment held by ACF at beginning of fiscal year	$105,777	$112,937
Investment income	2,139	2,422
Net appreciation(depreciation)	27,292	(3,629)
Investment fees	(1,142)	(1,053)
Distributions	(4,900)	(4,900)
Investments held by ACF on June 30	$129,666	$105,777

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.

NOTE 6 – ENDOWMENTS (continued)

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.

Endowment Net Asset Composition by Type of Fund as of June 30, 2021:

	Without Designation	Time/Purpose Restricted	Held In Perpetuity	Total
Donor-restricted funds	$ -	$ -	$99,210	$ 99,210
Unappropriated earnings	-	29,956	-	29,956
Total funds	$ -	$29,956	$99,210	$129,666

Endowment Net Asset Composition by Type of Fund as of June 30, 2020:

	Without Designation	Time/Purpose Restricted	Held In Perpetuity	Total
Donor-restricted funds	$ -	$ -	$99,210	$ 99,210
Unappropriated earnings	-	6,567	-	6,567
Total funds	$ -	$6,567	$99,210	$105,777

NOTE 6 – ENDOWMENTS (continued)

Change in Endowment Net Assets for the Fiscal Year Ended June 30, 2019 through June 30 2021:

	Without Designation	Time/Purpose Restricted	Held In Perpetuity	Total
Endowment net assets, at June 30, 2019	$ -	$13,727	$99,210	$112,937
Investment return:				
Investment income, net of fees	-	1,369	-	1,369
Net depreciation (realized and unrealized)	-	(3,629)	-	(3,629)
Total investment return (loss)	-	(2,260)	-	(2,260)
Appropriation of endowment assets for expenditure	-	(4,900)	-	(4,900)
Endowment net assets, at June 30, 2020	$ -	$ 6,567	$99,210	$105,777
Investment return:				
Investment income, net of fees	-	997	-	997
Net depreciation (realized and unrealized)	-	27,292	-	27,292
Total investment return (loss)	-	28,289	-	28,289
Appropriation of endowment assets for expenditure	-	(4,900)	-	(4,900)
Endowment net assets, at June 30, 2021	$ -	$29,956	$99,210	$129,666

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, 2021 and 2020, 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 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2021	2020
Land	$540,000	$540,000
Buildings	842,877	842,877
Building improvements	20,245	20,245
Furniture and fixtures	66,967	113,563
Software	21,626	21,626
Gross property, plant and equipment	1,491,715	1,538,311
Less accumulated depreciation	(405,404)	(441,244)
	$1,086,311	$1,097,067

Depreciation expense for the fiscal year ending June 30, 2021 and 2020 is $24,380 and $21,724, respectively.

NOTE 8 – EMPLOYEE RETENTION CREDIT REFUND

Under the American Rescue Plan Act, which was enacted March 11, 2021, and previously under the Consolidated Appropriations Act, the Organization became eligible to apply for the Employee Retention Credit (ERC), a provision of the CARES Act. The ERC is a refundable tax credit against certain employment taxes that the Organization can claim on qualified wages paid to employees, including certain health insurance costs, during the COVID-19 pandemic.

NOTE 8 – EMPLOYEE RETENTION CREDIT REFUND (continued)

Employers are eligible for the credit if they experienced either a full or partial suspension of operations during any calendar quarter because of governmental orders due to the pandemic or a significant decline in gross receipts based on comparing quarterly revenue results for 2020 and/or 2021 with the comparable quarter in 2019. Any wages paid for under the PPP program are not eligible under the ERC program and were therefore excluded in calculating the credits due. The Organization filed a refund claim for $250,299 with the Internal Revenue Service for the year ended June 30, 2021.

NOTE 9 – MORTGAGE 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 maturity. Monthly payments are $494. The balance of the note as of June 30, 2021 and 2020, is $0 and $5,373, respectively. Interest expense on the mortgage payable for the years ended June 30, 2021 and 2020 is $94 and $4,897, respectively.

NOTE 10 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN OBLIGATION

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus (the COVID-19 outbreak) and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In response to the impact of the pandemic, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was enacted on March 27, 2020. The Paycheck Protection Program (PPP) was established under Division A, Title I of the CARES Act, and is implemented by the Small Business Administration with support from the Department of the Treasury. This program provides small businesses and eligible nonprofit organizations with funds to pay up to 24 weeks of payroll costs, including benefits, subject to certain limitations. Funds can also be used to pay interest on mortgages, rent, and utilities. If guidelines are followed and funds are spent only on eligible expenses, up to 100% of a PPP loan may be forgiven.

On April 15, 2020, the Organization received a PPP loan in the amount of $185,300 to be used for eligible expenses. Any amounts subsequently forgiven will be recorded as revenue at that time, and any amounts not forgiven will bear an interest rate of 1% and have a maturity date of 2 years. Because no portion of the loan was forgiven as of June 30, 2020, the entire amount is recorded as a loan payable as of June 30, 2020. The loan was forgiven in full on April 15, 2021, and is reflected as *Forgiveness of PPP loan obligation* in the Statements of Activities.

On March 2, 2021, the Organization received a second PPP loan in the amount of $151,891 to be used for eligible expenses under the same terms as the first PPP loan. Because no portion of the loan was forgiven as of June 30, 2021, the entire amount is recorded as a loan payable obligation as of June 30, 2021. The loan was subsequently forgiven in full on December 21, 2021, and was recorded as Other Income upon forgiveness.

NOTE 11 – ECONOMIC INJURY DISASTER LOAN (EIDL) PAYABLE

In response to the COVID-19 pandemic, the Small Business Administration made Economic Injury Disaster Loans available to small business owners and nonprofit organizations in all U.S. states, Washington D.C., and territories.

The EIDL program was designed to provide economic relief to businesses and organizations that were currently experiencing a temporary loss of revenue due to COVID-19 in order to meet financial obligations and operating expenses that could have been met had the pandemic not occurred.

The Organization received an EIDL of $150,000 on June 19, 2020. The loan has an interest rate of 2.75% per annum and matures in 30 years on June 19, 2052. Payments are deferred for two years, though interest accrues from the date of inception. Accrued interest as of June 30, 2021 totals $3,968 and is included in *Accrued liabilities* in the Statements of Financial Position. There was no accrued interest reported as of June 30, 2020. Monthly payments of $641 will begin in June 2021. There is no prepayment penalty. The loan is secured by all tangible and intangible personal property, including, but not limited to, inventory, equipment, and financial instruments, including promissory notes and receivables. The loan balance as of June 30, 2021 and 2020 was $150,000.

Future scheduled maturities of the mortgage as of June 30, 2021 are:

Year ending June 30,	
2022	$ -
2023	3,382
2024	3,465
2025	3,573
Thereafter	139,580
	$150,000

NOTE 12 – 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 Statements of Activities as net assets released from restrictions.

Net Assets Restricted by Time or Purpose	2021	2020
Unconditional promises to give with time restrictions, net	$6,000	$13,919
Contributions restricted by purpose	8,000	5,000
Accumulated earnings on donor restricted endowments	29,956	6,567
	$43,956	$25,486

NOTE 12 – RESTRICTED NET ASSETS (continued)

Net Assets Held in Perpetuity		
Restricted endowment funds	$99,210	$99,210

NOTE 13 – 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 Statements of Functional Expenses. Total rent expense for the years ending June 30, 2021 and 2020 is $5,612 and $5,368, respectively.

The Organization executed an operating lease dated November 2017 for a copier with an initial term of 63 months. Monthly minimum payments were $1,187 plus usage fees. The Organization terminated the lease and purchased the equipment outright during the year ending June 30, 2021.

The Organization executed an operating lease dated June 2018 for a postage machine with a term of 48 months, continuing on a month-to-month basis thereafter. Quarterly payments are $166 plus postage. Postage machine rental expense is included with *Equipment costs* on the Statements of Functional Expenses. Postage expense is included with *Postage* on the Statements of Functional Expenses.

Total equipment rental costs for the years ended June 30, 2021 and 2020 were $2,740 and $16,338, respectively.

Future minimum lease payments required under the above operating leases as of June 30 are:

Year ending June 30, 2022	$840

NOTE 14 – RETIREMENT PLAN

Until December 31, 2019, the Organization contributed to a Simple IRA plan on behalf of eligible employees that had been in effect since January 1, 2014. Employees became 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 were voluntary. The contribution percentage is determined by the Organization's board each year and cannot exceed 3% of compensation. During the year ending June 30, 2020, the Organization contributed $2,596 to this plan, which is included in *Employee benefits* in the Statement of Functional Expenses.

Effective January 1, 2020, the Organization adopted a 403(b) retirement plan on behalf of eligible employees. Employees who normally work more than 20 hours per week are eligible to begin participating in the plan upon being hired by the Organization, and employees who normally work fewer than 20 hours per week are eligible to participate after completing a year of service. Employees are eligible to begin receiving matching employer contributions after completing 6 months of service. Employer matching contributions are discretionary. No discretionary employer contributions were made to this plan during the years ending June 30, 2021 and 2020.

NOTE 15 – RELATED PARTY TRANSACTIONS

Total unconditional promises to give and other receivables from various board members and members of management total $5,445 (10% of gross promises and other receivables) at June 30, 2020. The collection period is from one to five years. An allowance has been established in accordance with Organization's guidelines for all promises and receivables that may not ultimately be collectable. No concentration in unconditional promises to give and other receivables was noted for the year ending June 30, 2021.

During the year ended June 30, 2021, a board member was directly involved in securing $39,960 of advertising for the Organization. The in-kind advertising contribution is included in *In-kind contributions* on the Statement of Activities and in *Advertising and marketing* expense on the Statement of Functional Expenses for the year ended June 30, 2021.

NOTE 16 – 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 years ended June 30, 2021 and 2020, the Organization received $23,128 and $57,744, respectively, from the YBBBSF.

BBBSA receives funding from the United Stated Department of Justice, Office of Juvenile Justice and Delinquency Prevention under a Mentoring Opportunities for Youth Initiative grant in order to further BBBSA's youth mentoring initiatives through subawards to certain of its agencies. The Organization is one of the recipients of these subawards. During the years ended June 30, 2021 and 2020, the Organization was awarded $66,965 and $85,216, respectively. The subaward revenue is included in *Grants without donor restrictions* on the Statements of Activities. As of June 30, 2021 and 2020, $66,475 and $50,000, respectively, of subawards granted had not been received and is included in *Grants receivable* on the Statements of Financial Position.

The Organization pays an annual affiliation fee, a software subscription fee, and a technology license fee to BBBSA. Total paid to BBBSA for the years ending June 30, 2021 and 2020 was $30,937 and $25,408, respectively, and is included in *Dues 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, 2021 and 2020, the remaining amount due was $0 and $5,500, respectively.

NOTE 17 – CONCENTRATIONS

During the year ended June 30, 2020, one donor accounted for 15% of total revenue. No donor concentrations were noted in the year ended June 30, 2021.

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 10% of the total gross promises and other receivables for the year ended June 30, 2020. No concentrations were noted in the year ended June 30, 2021.

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 18 – 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 19 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the years ending June 30, 2021 and 2020 was $94 and $4,897, respectively.

NOTE 20 – REVENUE RECOGNITION

Contributions, in-kind contributions, and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recorded until the conditions on which they depend have been substantially met. At June 30, 2021 and 2020, there were unconditional promises to give, net, of $6,000 and $13,919, respectively. There were grants receivable of $66,475 and $50,000 as of June 30, 2021 and 2020, respectively.

Special event revenue is recognized at the time of the event. Amounts received in advance of an event are recorded as a deferred revenue liability until the event occurs, at which time they are recognized as revenue. At June 30, 2021 and 2020, deferred event revenue was $7,070 and $6,500, respectively.

Gains and losses on the disposition of property and equipment are recognized at the time of disposition.

Interest income is recognized when earned.

During the year ended June 30, 2021, the first PPP loan obligation was forgiven in full. Revenue was recognized upon forgiveness.

Revenue from the Employee Retention Credit was recognized when the conditions on which the ERC refunds depend were substantially met.

NOTE 21 – IMPACT OF WORLD-WIDE PANDEMIC

As previously noted, in March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Measures taken by various governments to contain the virus have affected economic activity. The United States and global markets have experienced significant fluctuations due to uncertainty caused by the world-wide coronavirus pandemic.

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the overall effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity. Management will continue to follow the various government policies and advice and will do their utmost to continue operations in the best and safest way possible without jeopardizing the health of any bigs, littles, volunteers, or employees.

NOTE 22 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 28, 2022, the date which the financial statements were available to be issued. As discussed in Note 10, the second PPP loan obligation was forgiven in full on December 21, 2021, and was recorded as Other Income upon forgiveness. No additional items were noted that would require disclosure in these financial statements.