BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Big Brothers Big Sisters of Central Arizona
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Big Brothers Big Sisters of Central Arizona, which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Board of Directors
Big Brothers Big Sisters of Central Arizona

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Central Arizona as of June 30, 2019, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the Financial Statements, Big Brothers Big Sisters of Central Arizona adopted a new accounting principle during the year ended June 30, 2019: Accounting Standards Update (ASU) 2016-14: *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect of this matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
January 17, 2019

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 367,508	$ 704,531
Grants and Contributions Receivable	163,743	77,512
Investments	595,886	558,549
Prepaid Expenses and Other	23,029	31,296
Due from an Affiliate	179,477	54,590
Total Current Assets	1,329,643	1,426,478
PROPERTY AND EQUIPMENT, Net	80,989	81,139
OTHER ASSETS		
Cash Held for Endowment Funds	100,000	101,425
Unemployment Trust Fund	26,626	24,598
Other Assets	19,437	19,437
Total Other Assets	146,063	145,460
Total Assets	$ 1,556,695	$ 1,653,077
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 15,189	$ 15,655
Accrued Expenses	134,620	150,058
Current Maturities of Deferred Rent	20,388	15,340
Current Maturities of Obligation Under a Capital Lease	5,001	4,802
Total Current Liabilities	175,198	185,855
LONG-TERM LIABILITIES		
Deferred Rent, Less Current Maturities	39,417	59,805
Long-Term Obligation Under a Capital Lease, Net of Current Maturities	8,802	13,803
Total Long-Term Liabilities	48,219	73,608
Total Liabilities	223,417	259,463
NET ASSETS		
Without Donor Restrictions	1,084,675	1,194,451
With Donor Restrictions	248,603	199,163
Total Net Assets	1,333,278	1,393,614
Total Liabilities and Net Assets	$ 1,556,695	$ 1,653,077

See accompanying Notes to Consolidated Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Totals	2018 Total
PUBLIC SUPPORT AND REVENUES				
Public Support:				
Contributions	$ 133,339	$ 353,176	$ 486,515	$ 499,957
In-Kind Contributions	169,211	9,131	178,342	237,784
United Way	220,000	-	220,000	240,000
Big Brothers Big Sisters of Central Arizona Association	475,000	-	475,000	466,879
Grants and Contracts	614,720	-	614,720	550,801
Total Public Support	1,612,270	362,307	1,974,577	1,995,421
Revenues:				
Investment Income	38,214	3	38,217	48,964
Other	16,308	-	16,308	-
Total Revenues	54,522	3	54,525	48,964
Special Events:				
Revenue from Special Events	567,142	-	567,142	511,271
Less Costs of Direct Donor Benefits	(166,190)	-	(166,190)	(129,001)
Gross Profit on Special Events	400,952	-	400,952	382,270
Net Assets Released from Restrictions	312,870	(312,870)	-	-
Total Public Support, Revenues, and Special Events	2,380,614	49,440	2,430,054	2,426,655
EXPENSES				
Mentoring Program	1,926,325	-	1,926,325	1,875,964
Management and General	221,785	-	221,785	194,284
Fundraising	342,280	-	342,280	363,296
Total Expenses	2,490,390	-	2,490,390	2,433,544
OTHER EXPENSE				
Loss on Sale of Yavapai Land	-	-	-	7,126
CHANGES IN NET ASSETS	(109,776)	49,440	(60,336)	(14,015)
Net Assets - Beginning of Year	1,194,451	199,163	1,393,614	1,407,629
NET ASSETS - END OF YEAR	$ 1,084,675	$ 248,603	$ 1,333,278	$ 1,393,614

See accompanying Notes to Consolidated Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2018)

	2019					
	Mentoring Program	Management and General	Fundraising	Direct Donor Benefits	Total Functional Expenses	2018 Total
Salaries and Wages	$ 1,264,079	$ 94,466	$ 178,131	$ -	$ 1,536,676	$ 1,500,416
Employee Benefits	104,631	5,754	11,981	-	122,366	113,907
Employer Taxes	94,201	9,833	13,175	-	117,209	118,312
Professional and Contract Fees	142,454	73,149	36,637	-	252,240	185,300
Supplies	7,619	1,079	1,003	-	9,701	10,365
Telephone and Communications	18,481	1,096	1,294	-	20,871	21,805
Postage and Shipping	1,694	196	415	-	2,305	3,428
Occupancy	117,190	13,473	18,959	-	149,622	149,096
Equipment	6,060	2,726	633	-	9,419	9,528
Printing and Publications	1,513	1,616	7,684	-	10,813	6,666
Travel and Mileage	16,240	5,604	4,347	-	26,191	26,588
Conferences and Meetings	1,241	3,837	661	-	5,739	4,293
Program and Event Support	72,427	152	24,576	-	97,155	181,549
Recruitment and Public Relations	12,740	1,962	854	-	15,556	3,775
Dues and Subscriptions	13,978	1,905	28,949	-	44,832	28,254
License and Fees	7,620	1,578	8,861	-	18,059	19,571
Insurance	19,788	1,505	1,846	-	23,139	22,323
Interest	573	44	53	-	670	862
Depreciation	23,796	1,810	2,221	-	27,827	24,826
Bad Debts	-	-	-	-	-	2,680
Special Event - Direct Donor Benefits	-	-	-	166,190	166,190	129,001
Total						
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	(166,190)	(166,190)	(129,001)
Total Expenses Included in the Expense Section of the Statement of Activities	$ 1,926,325	$ 221,785	$ 342,280	$ -	$ 2,490,390	$ 2,433,544

See accompanying Notes to Consolidated Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	$ (60,336)	$ (14,015)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	27,827	24,826
Bad Debts	-	2,680
Loss on Sale of Yavapai Land	-	7,126
Gain on Disposal of Property and Equipment	(16,308)	-
Realized and Unrealized (Gain) Loss on Investments	7,121	(9,097)
Increase (Decrease) in Cash Resulting from Changes in:		
Grants and Contributions Receivable	(86,231)	131,499
Prepaid Expenses and Other	8,267	10,046
Due from an Affiliate	(124,887)	(6,567)
Unemployment Trust Fund	(2,028)	4,441
Accounts Payable	(466)	13,581
Deferred Rent	(15,340)	(10,291)
Accrued Expenses	(15,438)	(3,052)
Net Cash Provided (Used) by Operating Activities	(277,819)	151,177
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	(27,677)	(41,689)
Purchases of Investments	(48,398)	(39,560)
Proceeds from Sale of Investments	3,940	4,892
Endowment Cash Activity	1,425	1,281
Proceeds from Sale of Yavapai Land	-	25,795
Insurance Proceeds	16,308	-
Net Cash Used by Investing Activities	(54,402)	(49,281)
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(4,802)	(4,610)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(337,023)	97,286
Cash and Cash Equivalents - Beginning of Year	704,531	607,245
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 367,508	$ 704,531
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 670	$ 862

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Central Arizona (BBBS) was incorporated in the state of Arizona and is a nonprofit corporation organized to provide guidance to boys and girls through association with appropriate role models. The mission of BBBS is to help children realize their potential through the development of professionally supported one to one relationships with volunteers who care about them. The vision of BBBS is that BBBS contributes to a healthier and stronger community by providing children with mentors who will help them succeed in life. The majority of BBBS revenue is derived from various fundraising activities, grants, and contracts with other nonprofit organizations, corporations, and local governments.

The Foundation for Valley Big Brothers Big Sisters (Foundation) was incorporated in the state of Arizona and is a nonprofit corporation organized to encourage and solicit gifts solely for the benefit of Big Brothers Big Sisters of Central Arizona. Since BBBS exercises control over the Foundation, its activities are consolidated with BBBS.

BBBS operates under an affiliation agreement with Big Brothers Big Sisters of Central Arizona Association (Association). BBBS and the Association each have a separate board of directors. The Association has no legal obligation to fund BBBS, but the intent is that they will work together.

Principles of Consolidation

The consolidated financial statements include both the accounts of BBBS and the Foundation (collectively referred to as the Agency). All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant inter-company balances and transactions have been eliminated in consolidation.

Net Asset Classification

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Those resources over which the board of directors has discretionary control.

With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be satisfied by actions of the Agency or passage of time. Other donor-imposed restrictions will be held in perpetuity by the Foundation. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prior Year Summarized Information

The consolidated financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements as of and for the year ended June 30, 2018, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

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

Contributions

The Agency records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Certain Agency grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2019, conditional contributions approximating $66,000 for which no amounts had been received in advance, have not been recognized in the accompanying consolidated financial statements.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated statement of financial position. Net investment income is reported in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included in support until the conditions are substantially met.

Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has made reasonable collection efforts are written off.

Management believes that all grants and contributions receivable at June 30, 2019 are fully collectible.

Property and Equipment

Property and equipment is initially recorded at cost and donated property is recorded at the fair value at the date of the gift. Contributions of nonfinancial assets are initially recorded at fair value and then carried at the lower of carrying value or fair value. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. Depreciation is provided using the straight-line method over estimated useful lives of the acquired and donated assets. The estimated useful lives range from 3 to 5 years. Repairs and maintenance are expensed as incurred.

The Agency capitalizes expenditures that are equal to or greater than $2,500. When items are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the consolidated statement of activities.

Impairment of Long-Lived Assets

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future undiscounted net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no such impairments of long-lived assets as of June 30, 2019.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Noncash in-kind contributions are recorded as both revenue and expense at the estimated fair value in the consolidated financial statements if, among other things, the Agency would typically need to purchase these services if they were not provided by donation.

The Agency receives substantial support in the form of donated volunteer services. The value of these services is not recorded because they do not meet the requirements to be recorded in accordance with nonprofit accounting principles.

Noncash contributions of advertising, special event auction items, and sporting event tickets are recorded at fair value at the time of donation. Items given away by the Agency as part of its program are recorded as an equal expense.

Special Events Revenue

The Agency conducts special events in which a portion of the gross proceeds paid by the participant represents payments for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of entertainment provided at special events is measured at the actual cost to the Agency. The direct costs of the special events which ultimately benefit the donor rather than the Agency are included in special events revenues and then expensed as costs of direct donor benefits.

Functional Expenses Classifications

The cost of providing program services and other activities has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs such as salaries and related costs, occupancy, depreciation, insurance and supplies been allocated among the programs and supporting services benefited. The allocation methods used are based on square footage, full-time equivalents, and other appropriate methods, and are subject to a certain degree of estimation by management.

Income Taxes

BBBS and the Foundation are exempt from federal and Arizona income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, there is no provision for federal or state corporate income taxes. In addition, BBBS and the Foundation have been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

Management believes that the Agency has no uncertain tax positions as of June 30, 2019.

Change in Accounting Principle

BBBS and the Agency adopted Financial Accounting Standards Board (FASB) ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. The adoption did not impact the Agency's financial position as of June 30, 2019 or the changes in its net assets or cash flows for the year then ended.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Agency strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Agency's financial assets, available for general expenditure within one year of the consolidated statement of financial position date:

Financial Assets at Year-End:		
Cash and Cash Equivalents	$	367,508
Grants and Contributions Receivable		163,743
Investments		595,886
Due from an Affiliate		179,477
Cash Held for Endowment Funds		100,000
Total Financial Assets		1,406,614
Less Amounts not Available to be Used Within One Year:		
Investments for Endowment		(100,000)
Financial Assets Available to Meet General Expenditures Within One Year	$	1,306,614

NOTE 3 GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable are stated as the amount management expects to collect. All receivables are due within one year. There was no allowance for uncollectible accounts as of June 30, 2019. Three contributors make up 75% of the total grants and contributions receivable balance as of June 30, 2019.

NOTE 4 FAIR VALUE MEASUREMENTS

The Agency accounts for its investments at fair value. Accounting standards describe three levels of inputs that may be used to measure fair value, as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Agency can assess at the measurement date.

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

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

At June 30, 2019, all investments were classified within Level 1 because they are comprised of mutual funds and government income bond funds with readily determinable fair values based on daily redemption values.

The following tables set forth, by level, within the fair value hierarchy, certain assets, and liabilities measured at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Mutual Funds	$ 528,848	$ -	$ -	$ 528,848
Bond Funds	63,077	-	-	63,077
Cash	-	-	-	3,961
Total	$ 591,925	$ -	$ -	$ 595,886

NOTE 5 PROPERTY AND EQUIPMENT

At June 30, 2019, property and equipment were as follows:

Equipment	$ 248,042
Vehicles	25,965
Total	274,007
Less: Accumulated Depreciation	(193,018)
Property and Equipment, Net of Accumulated Depreciation	$ 80,989

Depreciation charged to operations was $27,827 for the year ended June 30, 2019.

NOTE 6 CAPITAL LEASE OBLIGATION

Equipment held under a capital lease obligation had a cost of $24,710 at June 30, 2019. Accumulated depreciation associated with this equipment was $9,328 as of June 30, 2019.

Capital lease obligations as of June 30, 2019 are as follows:

Description	Amount
Copier machine, payable in monthly installments of $456, including interest at 4.08%, through March 2022, secured by the equipment.	$ 13,803
Less: Current Maturities	(5,001)
Long-Term Maturities of Capital Lease Obligations	$ 8,802

Future minimum payments under this commitment are as follows:

Year Ending June 30,	Amount
2020	$ 5,472
2021	5,472
2022	3,648
Total Minimum Lease Payments	14,592
Less: Amount Representing Interest	(789)
Present Value of Minimum Lease Payments	$ 13,803

Interest expense associated with the capital lease totaled $670 during the year ended June 30, 2019.

NOTE 7 NET ASSETS

Net Assets With Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods as of June 30, 2019:

Subject to Expenditure for Specified Purpose:	
Programs	$ 120,231
Scholarships	28,372
Total	148,603
Endowment:	
Not Subject to Spending Policy or Appropriation:	
Investments in Perpetuity (Including Amounts Above Original Gift Amounts of $100,000) Which, Once Appropriated, are Expendable to Support:	
Future Operations	100,000
Total	100,000
Total Net Assets With Donor Restrictions	$ 248,603

Net assets were released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as following for the year ending June 30, 2019.

Satisfaction of Purpose Restrictions:	
Programs	$ 312,870

NOTE 8 ENDOWMENTS

The Agency's endowment consists of funds established to support the general purposes of the Agency. Its endowment consists of donor-restricted endowment funds. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 8 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law

The board of directors of the Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Consequently, the Agency classifies as donor-restricted net assets:

- The original value of gifts donated to the donor-restricted endowment
- The original value of subsequent gifts to the donor-restricted endowment
- The accumulated earnings on the donor-restricted endowment funds remain treated as donor restricted net assets until those amounts are appropriated for expenditure by the Agency's board in a manner consistent with the standards of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Agency 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 purpose of the Agency 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 Agency.
7. The investment policies of the Agency.

Return Objectives and Risk Parameters

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in an interest bearing savings account.

Endowment net asset composition by type of fund as of June 30, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Donor-Restricted Endowment Funds	$ -	$ 100,000	$ 100,000
Total	$ -	$ 100,000	$ 100,000

NOTE 8 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the fiscal year ended June 30, 2019:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets Beginning of Year	$ -	$ 101,425	$ 101,425
Total Investment Return	-	3	3
Appropriation of Endowment Asset for Expenditure	-	(1,428)	(1,428)
Endowment Funds End of Year	$ -	$ 100,000	$ 100,000

NOTE 9 SPECIAL EVENTS REVENUE

Special events revenue is comprised of the following for the year ended June 30, 2019:

Bowl for Kids Sake	$ 2,300
Annual Fund Raising Gala	288,023
FORE the Kids	47,995
Other Events	228,824
Total	$ 567,142

Other event revenue consists of Paul's Car Wash and various other events held throughout the year.

NOTE 10 IN-KIND CONTRIBUTIONS

The Agency received the following in-kind contributions for the year ended June 30, 2019:

Program:	
Donated Tickets	$ 75,666
Other	1,531
Management and General:	
Legal Professional Services	44,381
Other	6,601
Fundraising:	
Special Event Items	50,163
Total	$ 178,342

NOTE 11 MAJOR REVENUE SOURCES

Revenue derived from the Association represented approximately 19% of total public support, revenue, and special events during the year ended June 30, 2019.

NOTE 12 RELATED PARTY TRANSACTIONS

The Agency recorded the following transactions with the Association for the year ended June 30, 2019:

Due from an Affiliate - Beginning of Year	$ 54,590
Support from the Association	475,000
Salaries and Benefits	50,742
Other	70,230
Total	650,562
Payments from Affiliate	(471,085)
Due from an Affiliate - End of Year	$ 179,477

The Agency purchases medical insurance through a board member owned company. During the year ended June 30, 2019, a total of $161,209 was paid and expensed for insurance premiums.

NOTE 13 RETIREMENT PLAN

The Agency maintains a defined contribution retirement plan (the Plan) for its employees established under IRC Section 403(b). The Plan covers essentially all management and exempt employees, exclusive of those employees who have elected not to participate. The Agency makes contributions to the Plan at the discretion of the board of directors. The Agency contributions to the Plan approximated $6,224 for the year ended June 30, 2019.

NOTE 14 COMMITMENTS

Operating Leases

The Agency is committed under operating leases for office space and equipment. Rent expense under the leases was $200,966 during the year ended June 30, 2019. The Association shares space with the Agency and was allocated rent expense of $42,000 for 2019.

Future minimum rental payments under noncancelable leases at June 30 are as follows:

Year Ending June 30,	Amount
2020	$ 213,860
2021	218,909
2022	111,500
Total Future Minimum Lease Payments	$ 544,269

NOTE 15 CONTINGENCY

The Agency participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Agency's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Agency's management expects such amounts, if any, to be immaterial.

NOTE 16 CONCENTRATION OF CREDIT RISKS

Financial instruments that potentially subject the Agency to concentration of credit risk consist principally of cash and cash equivalents. Cash is placed with high quality financial institutions; however, at times these cash balances exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit. Investments in mutual funds are not insured by the FDIC.

NOTE 17 RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of Topic 606 is that revenue should be recognized in a manner that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 defines a five-step process in order to achieve this core principle which may require the use of judgment and estimates. The entity may adopt ASU 2014-09 either by using a full retrospective approach for all periods presented or a modified retrospective approach.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies the guidance to distinguish between contributions and exchange transactions.

These standards are effective for annual reporting periods beginning after December 15, 2018 (July 1, 2019 for the Agency). The Agency has not yet selected a transition method and is currently evaluating the impact of these standards on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The new standard is effective for the Agency beginning July 1, 2021. The Agency is currently assessing the impact of the adoption of the standard.

NOTE 18 SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through January 17, 2019, the date the consolidated financial statements were available to be issued.