

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021



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BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
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YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Big Brothers Big Sisters of Central Arizona, which comprise the statement of financial position as of June 30, 2021, 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.

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

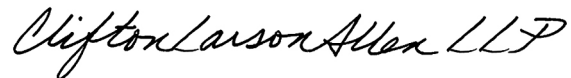
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Central Arizona as of June 30, 2021, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
February 25, 2022

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,217,491	\$ 884,061
Grants and Contributions Receivable	243,959	50,500
Investments	784,372	632,240
Prepaid Expenses and Other	49,792	49,989
Due from an Affiliate	25	29,708
Total Current Assets	<u>3,295,639</u>	<u>1,646,498</u>
PROPERTY AND EQUIPMENT, Net	88,893	127,518
OTHER ASSETS		
Cash Held for Endowment Funds	100,000	100,000
Unemployment Trust Fund	24,739	28,855
Other Assets	<u>19,437</u>	<u>19,437</u>
Total Other Assets	<u>144,176</u>	<u>148,292</u>
Total Assets	<u><u>\$ 3,528,708</u></u>	<u><u>\$ 1,922,308</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 53,912	\$ 23,413
Accrued Expenses	202,312	183,563
Current Maturities of Deferred Rent	13,980	25,437
Current Maturities of Obligation Under a Capital Lease	<u>3,593</u>	<u>5,209</u>
Total Current Liabilities	273,797	237,622
LONG-TERM LIABILITIES		
Deferred Rent, Less Current Maturities	-	13,980
Long-Term Obligation Under a Capital Lease, Net of Current Maturities	-	3,593
Paycheck Protection Program	<u>-</u>	<u>394,400</u>
Total Long-Term Liabilities	<u>-</u>	<u>411,973</u>
Total Liabilities	273,797	649,595
NET ASSETS		
Without Donor Restrictions	2,865,970	1,066,965
With Donor Restrictions	<u>388,941</u>	<u>205,748</u>
Total Net Assets	<u>3,254,911</u>	<u>1,272,713</u>
Total Liabilities and Net Assets	<u><u>\$ 3,528,708</u></u>	<u><u>\$ 1,922,308</u></u>

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
STATEMENT OF ACTIVITIES
JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Totals	Total
PUBLIC SUPPORT AND REVENUES				
Public Support:				
Contributions	\$ 1,889,135	\$ -	\$ 1,889,135	\$ 805,162
In-Kind Contributions	50,907	-	50,907	100,885
United Way	102,297	112,500	214,797	164,854
Big Brothers Big Sisters of Central Arizona Association	550,000	-	550,000	480,308
Grants and Contracts	462,380	206,350	668,730	686,507
Total Public Support	3,054,719	318,850	3,373,569	2,237,716
Revenues:				
Investment Income	156,546	-	156,546	34,598
Forgiveness of Paycheck Protection Program Loan	394,400	-	394,400	-
Other	283,748	-	283,748	9,566
Total Revenues	834,694	-	834,694	44,164
Special Events:				
Revenue from Special Events	437,229	-	437,229	564,737
Less Costs of Direct Donor Benefits	(119,549)	-	(119,549)	(166,179)
Gross Profit on Special Events	317,680	-	317,680	398,558
Net Assets Released from Restrictions	135,657	(135,657)	-	-
Total Public Support, Revenues, and Special Events	4,342,750	183,193	4,525,943	2,680,438
EXPENSES				
Mentoring Program	1,867,916	-	1,867,916	2,126,940
Management and General	333,271	-	333,271	347,642
Fundraising	342,558	-	342,558	266,421
Total Expenses	2,543,745	-	2,543,745	2,741,003
CHANGES IN NET ASSETS	1,799,005	183,193	1,982,198	(60,565)
Net Assets - Beginning of Year	1,066,965	205,748	1,272,713	1,333,278
NET ASSETS - END OF YEAR	<u>\$ 2,865,970</u>	<u>\$ 388,941</u>	<u>\$ 3,254,911</u>	<u>\$ 1,272,713</u>

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR YEAR ENDED JUNE 30, 2020)

	2021					
	Mentoring Program	Management and General	Fundraising	Direct Donor Benefits	Total Functional Expenses	2020 Total
Salaries and Wages	\$ 1,324,984	\$ 37,759	\$ 203,988	\$ -	\$ 1,566,731	\$ 1,715,454
Employee Benefits	119,059	3,393	18,330	-	140,782	124,320
Employer Taxes	106,342	3,030	16,372	-	125,744	124,377
Professional and Contract Fees	128,929	143,828	-	-	272,757	299,599
Supplies	2,443	1,287	1,347	-	5,077	10,963
Telephone and Communications	15,495	7,444	421	-	23,360	36,355
Postage and Shipping	1,075	-	1,178	-	2,253	2,341
Occupancy	73,844	39,175	40,727	-	153,746	160,233
Equipment	3,786	23,775	564	-	28,125	15,868
Printing and Publications	-	103	123	-	226	7,739
Travel and Mileage	2,755	2,357	474	-	5,586	12,764
Conferences and Meetings	693	129	466	-	1,288	4,190
Program and Event Support	11,920	17,270	26,115	-	55,305	106,172
Recruitment and Public Relations	30	1,527	13,382	-	14,939	10,383
Dues and Subscriptions	30,382	12,120	1,496	-	43,998	33,117
License and Fees	5,070	13,980	7,013	-	26,063	18,564
Insurance	22,262	12,775	313	-	35,350	38,315
Interest	295	3,478	17	-	3,790	471
Depreciation	18,552	9,841	10,232	-	38,625	19,778
Special Event - Direct Donor Benefits	-	-	-	119,549	119,549	166,179
Total	1,867,916	333,271	342,558	119,549	2,663,294	2,907,182
Less: Expenses Netted Against Revenues on the Statement of Activities:						
Special Event Expenses	-	-	-	(119,549)	(119,549)	(166,179)
Total Expenses Included in the Expense Section of the Statement of Activities	<u>\$ 1,867,916</u>	<u>\$ 333,271</u>	<u>\$ 342,558</u>	<u>\$ -</u>	<u>\$ 2,543,745</u>	<u>\$ 2,741,003</u>

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in Net Assets	\$ 1,982,198	\$ (60,565)
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	38,625	19,778
Forgiveness of Paycheck Protection Program Loan	(394,400)	-
Realized and Unrealized Gains on Investments	(144,370)	(22,381)
Increase (Decrease) in Cash Resulting from Changes in:		
Grants and Contributions Receivable	(193,459)	113,243
Prepaid Expenses and Other	197	(26,960)
Due from an Affiliate	29,683	149,769
Unemployment Trust Fund	4,116	(2,229)
Accounts Payable	30,499	8,224
Deferred Rent	(25,437)	(20,388)
Accrued Expenses	18,749	48,943
Net Cash Provided by Operating Activities	<u>1,346,401</u>	<u>207,434</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Property and Equipment	-	(66,307)
Purchases of Investments	<u>(7,762)</u>	<u>(13,973)</u>
Net Cash Used by Investing Activities	<u>(7,762)</u>	<u>(80,280)</u>
CASH FLOWS USED BY FINANCING ACTIVITIES		
Payments on Capital Lease Obligations	(5,209)	(5,001)
Proceeds from Paycheck Protection Program Loan	-	394,400
Net Cash Provided (Used) by Financing Activities	<u>(5,209)</u>	<u>389,399</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,333,430	516,553
Cash and Cash Equivalents - Beginning of Year	<u>984,061</u>	<u>467,508</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,317,491</u></u>	<u><u>\$ 984,061</u></u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF FINANCIAL POSITION		
Cash and Cash Equivalents	\$ 2,217,491	\$ 884,061
Restricted Cash	100,000	100,000
Total Cash and Cash Equivalents	<u><u>\$ 2,317,491</u></u>	<u><u>\$ 984,061</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u><u>\$ 263</u></u>	<u><u>\$ 471</u></u>

See accompanying Notes to Financial Statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Big Brothers Big Sisters of Central Arizona (BBBS or the Agency) 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.

BBBS operates under an affiliation agreement with Big Brothers Big Sisters of Central Arizona Association (the 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.

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 BBBS. 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.

Prior Year Summarized Information

The 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 financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position. Net investment income is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expenses.

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.

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, 2021 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 statement of activities.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2021.

Revenue Recognition

Contributions

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, 2021, outstanding conditional contributions approximating \$70,000 for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Donated Services

Noncash in-kind contributions are recorded as both revenue and expense at the estimated fair value in the 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.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses Classifications

The cost of providing program services and other activities has been summarized on a functional basis in the 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

The Agency is 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, the Agency has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC.

Management believes that the Agency has no uncertain tax positions as of June 30, 2021.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying 2020 financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets for 2020.

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 statement of financial position date:

Financial Assets at Year-End:	
Cash and Cash Equivalents	\$ 2,217,491
Grants and Contributions Receivable	243,959
Investments	784,372
Due from an Affiliate	25
Cash Held for Endowment Funds	100,000
Total Financial Assets	<u>3,345,847</u>
Less: Amounts not Available to be Used Within One Year:	
Restricted Funds for Time and Purpose	(288,941)
Investments for Endowment	<u>(100,000)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u><u>\$ 2,956,906</u></u>

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021. Three contributors make up 93% of the total grants and contributions receivable balance as of June 30, 2021.

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, inputs are developed using the best information available in the circumstances.

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, 2021, 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, 2021:

	Level 1	Level 2	Level 3	Assets Not Valued at Fair Value	Total
Equities	\$ 622,258	\$ -	\$ -	\$ -	\$ 622,258
Bond Funds	55,147	-	-	-	55,147
Cash	-	-	-	106,967	106,967
Total Investments	<u>\$ 677,405</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,967</u>	<u>\$ 784,372</u>

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 PROPERTY AND EQUIPMENT

At June 30, 2021, property and equipment were as follows:

Equipment	\$ 314,349
Vehicles	<u>25,965</u>
Total	340,314
Less: Accumulated Depreciation	<u>(251,421)</u>
Property and Equipment, Net of Accumulated Depreciation	<u><u>\$ 88,893</u></u>

Depreciation charged to operations was \$38,625 for the year ended June 30, 2021.

NOTE 6 CAPITAL LEASE OBLIGATION

Equipment held under a capital lease obligation had a cost of \$24,710 at June 30, 2021. Accumulated depreciation associated with this equipment was \$21,117 as of June 30, 2021.

Capital lease obligations as of June 30, 2021 are as follows:

<u>Description</u>	<u>Amount</u>
Copier machine, payable in monthly installments of \$456, including interest at 4.08%, through March 2022, secured by the equipment.	\$ 3,593
Less: Current Maturities	<u>(3,593)</u>
Long-Term Maturities of Capital Lease Obligations	<u><u>\$ -</u></u>

Future minimum payments under this commitment are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	<u>\$ 3,648</u>
Total Minimum Lease Payments	3,648
Less: Amount Representing Interest	<u>(55)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 3,593</u></u>

Interest expense associated with the capital lease totaled \$263 during the year ended June 30, 2021.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021:

Subject to Expenditure for Specified Purpose:

Programs	\$ 278,092
Scholarships	10,849
Total	<u>288,941</u>

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	<u>100,000</u>
Total	<u>100,000</u>
Total Net Assets With Donor Restrictions	<u><u>\$ 388,941</u></u>

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 ended June 30, 2021.

Satisfaction of Purpose Restrictions:

Programs	<u><u>\$ 135,657</u></u>
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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.

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.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 ENDOWMENTS (CONTINUED)

Interpretation of Relevant Law (Continued)

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, 2021:

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

Changes in endowment net assets for the fiscal year ended June 30, 2021:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ -	\$ 100,000	\$ 100,000
Endowment Funds - End of Year	\$ -	\$ 100,000	\$ 100,000

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
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NOTE 9 SPECIAL EVENTS REVENUE

Special events revenue is comprised of the following for the year ended June 30, 2021:

Bowl for Kids Sake	\$ 7,500
Annual Fund Raising Gala	217,829
FORE the Kids	67,795
Paul's Car Wash	109,037
Other Events	35,068
Total	<u>\$ 437,229</u>

NOTE 10 IN-KIND CONTRIBUTIONS

The Agency received the following in-kind contributions for the year ended June 30, 2021:

Program:	
Donated Tickets	\$ 4,994
Management and General:	
Legal Professional Services	4,251
Other	1,440
Direct Donor Benefits	40,222
Total	<u>\$ 50,907</u>

NOTE 11 RELATED PARTY TRANSACTIONS

The Agency received support from the Association of \$550,000 during the year ended June 30, 2021. In addition, the Association reimbursed the Agency for expenses of \$196,968. As of June 30, 2021, the amount due from the Association was \$25.

The Agency purchases medical insurance through a board member owned company. During the year ended June 30, 2021, a total of \$210,193 was paid and expensed for insurance premiums.

NOTE 12 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 did not contribute to the Plan for the year ended June 30, 2021.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA
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NOTE 13 COMMITMENTS

Operating Leases

The Agency is committed under one operating lease for office space, which expires on December 31, 2021. Total rent expense for the operating lease was \$153,746 during the year ended June 30, 2021. The Association shares space with the Agency and was allocated rent expense of \$42,000 for 2021.

Future minimum rental payments under noncancelable leases at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 106,019
Total Future Minimum Lease Payments	<u><u>\$ 106,019</u></u>

NOTE 14 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 15 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.

Cash contributions totaling approximately \$1,856,000 were received from two donors for the year ended June 30, 2021, which represent 45% of total public support. Should these contribution levels decrease, the Agency may be adversely affected.

NOTE 16 RISKS AND UNCERTAINTIES

The World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Agency, COVID-19 has impacted various parts of its operations and financial results. Management believes the Agency is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.

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NOTE 17 PAYCHECK PROTECTION PROGRAM

The Agency applied for and was approved a \$394,400 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on April 14, 2020. The original loan agreement was written prior to the PPP Flexibility Act of 2020 (June 5) and was due over 24 months deferred for six months. Subsequent to this, the law changed the loan deferral terms retroactively. The PPP Flexibility Act and subsequent regulations supersede the loan agreement. The Agency is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the federal government. The Agency received forgiveness of \$394,400 on March 5, 2021.

The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Agency's financial position.

NOTE 18 EMPLOYEE RETENTION CREDITS

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. During the year ended June 30, 2021, the Agency applied for Employee Retention Credit (ERC) grant funding from the Internal Revenue Service. The Agency recognized \$270,086 of grant revenue related to performance requirements being met in compliance with the program during the year ended June 30, 2021.

Eligibility and conditions for the ERC program may be audited by the Internal Revenue Service. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; management is of the opinion that any audit will not have a material adverse impact on the Agency's financial position.

NOTE 19 SUBSEQUENT EVENTS

Subsequent to year-end, the Agency entered into a \$1,200,000 note payable for the purchase of a building. The loan start date was December 13, 2021 and the maturity date is January 1, 2032.

Subsequent to year-end, the Agency received two significant contributions totaling \$600,000.

