

BIG BROTHERS BIG SISTERS
OF CENTRAL ARIZONA

FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2025
(with comparative financial information for the year ended June 30, 2024)

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Central Arizona (the Agency, a nonprofit corporation), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2024, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 26, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent in all material respects, with the audited financial statements from which it has been derived.

Fester & Chapman, PLLC

March 30, 2026

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

STATEMENT OF FINANCIAL POSITION

June 30, 2025

(with comparative financial information as of June 30, 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,124,656	\$ 2,375,015
Grants and contributions receivable	173,833	570,701
Certificate of deposit	-	250,000
Investments	1,079,775	1,001,263
Prepaid expenses and other	<u>88,337</u>	<u>86,271</u>
Total current assets	3,466,601	4,283,250
Property and equipment, net	1,718,742	1,824,957
Other assets:		
Cash held for endowment funds	100,000	100,000
Unemployment trust fund	26,684	24,600
Other assets	<u>708</u>	<u>708</u>
Total other assets	<u>127,392</u>	<u>125,308</u>
 Total assets	 <u>\$ 5,312,735</u>	 <u>\$ 6,233,515</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 82,529	\$ 79,916
Accrued expenses	166,324	245,064
Deferred revenue	9,500	47,554
Note payable, current portion	<u>32,987</u>	<u>31,700</u>
Total current liabilities	291,340	404,234
Note payable, net of current portion	<u>1,062,903</u>	<u>1,095,890</u>
Total liabilities	1,354,243	1,500,124
Net assets:		
Without donor restrictions	3,858,492	4,452,042
With donor restrictions	<u>100,000</u>	<u>281,349</u>
Total net assets	<u>3,958,492</u>	<u>4,733,391</u>
 Total liabilities and net assets	 <u>\$ 5,312,735</u>	 <u>\$ 6,233,515</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

(with comparative financial information for the year ended June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
Public support, revenues and special events				
Public support:				
Contributions	\$ 391,410	\$ -	\$ 391,410	\$ 638,125
In-kind contributions	253,645	-	253,645	154,202
Big Brothers Big Sisters of Central Arizona Association	843,546	-	843,546	879,573
Grants and contracts	856,279	-	856,279	1,123,469
Total public support	<u>2,344,880</u>		<u>2,344,880</u>	<u>2,795,369</u>
Revenues:				
Investment income	175,441	-	175,441	192,602
Other	<u>51,990</u>	<u>-</u>	<u>51,990</u>	<u>43,121</u>
Total revenues	<u>227,431</u>	<u>-</u>	<u>227,431</u>	<u>235,723</u>
Special events:				
Revenue from special events, cash	795,666	-	795,666	716,990
Revenue from special events, in-kind	173,595	-	173,595	94,983
Less: Costs of direct donor benefits	<u>(412,560)</u>	<u>-</u>	<u>(412,560)</u>	<u>(282,045)</u>
Gross profit on special events	<u>556,701</u>	<u>-</u>	<u>556,701</u>	<u>529,928</u>
Net assets released from restrictions	<u>181,349</u>	<u>(181,349)</u>		
Total public support, revenues, and special events	<u>3,310,361</u>	<u>(181,349)</u>	<u>3,129,012</u>	<u>3,561,020</u>
Expenses:				
Mentoring program	2,428,677		2,428,677	2,655,962
Management and general	884,703		884,703	848,028
Fundraising	<u>590,531</u>		<u>590,531</u>	<u>567,837</u>
Total expenses	<u>3,903,911</u>		<u>3,903,911</u>	<u>4,071,827</u>
Change in net assets	(593,550)	(181,349)	(774,899)	(510,807)
Net assets, beginning of year	<u>4,452,042</u>	<u>281,349</u>	<u>4,733,391</u>	<u>5,244,198</u>
Net assets, end of year	<u>\$ 3,858,492</u>	<u>\$ 100,000</u>	<u>\$ 3,958,492</u>	<u>\$ 4,733,391</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2025

(with comparative financial information for the year ended June 30, 2024)

	2025					2024 Total
	Mentoring Program	Management and General	Fundraising	Direct Donor Benefits	Total Expenses	
Salaries and wages	\$ 1,465,485	\$ 236,975	\$ 373,365	\$ -	\$ 2,075,825	\$ 2,317,184
Employee benefits	95,834	79,442	24,206	-	199,482	234,996
Employer taxes	105,272	25,529	27,572	-	158,373	178,831
Professional and contract fees	227,366	344,445	6,373	-	578,184	546,085
Supplies	25	7,028	64	-	7,117	9,501
Telephone and communications	13,711	17,916	2,062	-	33,689	36,487
Postage and shipping	-	2,098	3,112	-	5,210	2,234
Occupancy	-	30,231	-	-	30,231	29,216
Equipment	311	6,949	-	-	7,260	36,153
Printing and publications	339	41	10,590	-	10,970	8,104
Travel and mileage	17,317	4,667	1,121	-	23,105	24,905
Conferences and meetings	8,143	979	240	-	9,362	10,601
Program and event support	202,167	56,034	98,113	-	356,314	257,853
Recruitment and public relations	96,640	679	3,277	-	100,596	49,269
Dues and subscriptions	2,734	50,193	16,406	-	69,333	50,702
License and fees	-	2,424	8,344	-	10,768	35,013
Insurance	66,580	4,051	664	-	71,295	79,059
Interest	35,408	7,587	7,587	-	50,582	42,515
Depreciation	91,345	7,435	7,435	-	106,215	108,725
Pass-through expenses	-	-	-	-	-	14,394
Special event - direct donor benefits:						
Meals and entertainment	-	-	-	238,965	238,965	187,062
In-kind auction items	-	-	-	173,595	173,595	94,983
Total	2,428,677	884,703	590,531	412,560	4,316,471	4,353,872
Less: expenses netted against revenues on the Statement of Activities:						
Special event expenses	-	-	-	(412,560)	(412,560)	(282,045)
Total expenses included in the expense section of the Statement of Activities	<u>\$ 2,428,677</u>	<u>\$ 884,703</u>	<u>\$ 590,531</u>	<u>\$ -</u>	<u>\$ 3,903,911</u>	<u>\$ 4,071,827</u>

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

STATEMENT OF CASH FLOWS

Year Ended June 30, 2025

(with comparative financial information for the year ended June 30, 2024)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ (774,899)	\$ (510,807)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	106,215	108,725
Net unrealized gains on investments	(78,513)	(78,751)
Changes in assets and liabilities:		
Grants and contributions receivable	396,868	(225,740)
Prepaid expenses and other	(2,066)	(44,401)
Due from related parties	-	16,491
Unemployment trust fund	(2,084)	(2,004)
Accounts payable	2,614	47,105
Accrued expenses	(78,740)	(211,458)
Deferred revenue	(38,054)	47,554
Net cash and cash equivalents used by operating activities	(468,659)	(853,286)
Cash flows from investing activities:		
Purchases of certificates of deposit	-	(250,000)
Purchases of investments	(1,054,663)	
Proceeds from sale of certificates of deposit	250,000	2,000,000
Proceeds from sale of investments	1,054,663	
Net cash and cash equivalents provided by investing activities	250,000	1,750,000
Cash flows from financing activities:		
Payments on note payable	(31,700)	(30,343)
Net cash and cash equivalents used by financing activities	(31,700)	(30,343)
Net change in cash	(250,359)	866,371
Cash and cash equivalents, beginning of year	2,475,015	1,608,644
Cash and cash equivalents, end of year	\$ 2,224,656	\$ 2,475,015
<u>Reconciliation of cash and cash equivalents to the Statement of Financial Position:</u>		
Cash and cash equivalents	\$ 2,124,656	\$ 2,375,015
Cash held for endowment	100,000	100,000
Total	\$ 2,224,656	\$ 2,475,015
<u>Supplemental disclosure:</u>		
Cash paid for interest expense	\$ 50,582	\$ 42,515

The accompanying notes are an integral part of these statements.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Big Brothers Big Sisters of Central Arizona (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 the Agency 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 the Agency is that the Agency contributes to a healthier and stronger community by providing children with mentors who will help them succeed in life. The majority of the Agency's revenue is derived from various fundraising activities, grants, and contracts with other nonprofit organizations, corporations, and local governments.

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

Basis of Presentation

The Agency follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958) topic of *Not-for-Profit Entities*, requiring the Agency to report information regarding its financial position and activities according into two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Those resources over which the Board of Directors has discretionary control.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as net assets without donor restrictions.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should only be read in conjunction with the Agency's financial statements for the year ended June 30, 2024 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 THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents may, at times, include cash equivalents, which consist of highly liquid investments with original maturities of three months or less when acquired.

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.

Certificates of Deposit

Certificates of deposits are valued at original cost plus accrued interest, which approximates fair value.

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 uncollectable amounts through a provision for bad debt expense and an adjustment to the 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, 2025 and 2024 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 finance 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. Repairs and maintenance are expensed as incurred. The Agency depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and improvements	15 - 39 years
Furniture and equipment	3 - 5 years
Vehicles	5 years

The Agency capitalizes expenditures that are equal to or greater than \$5,000. 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 THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Agency determines if an arrangement is a lease at inception. Finance leases are included in property and equipment in the statement of financial position.

Right-of-use (ROU) assets represent the Agency's right to use an underlying asset for the lease term and lease liabilities represent the Agency's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease terms. The Agency has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense incurred, and these leases are not included as lease liabilities or right-of-use assets on the statement of financial position.

The lease contract does not provide information about the discount rate implicit in the lease. Therefore, the Agency has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liability.

Revenue Recognition

Contributions

Contributions are recognized when cash, securities or other assets, or 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, 2025 and 2024, outstanding conditional contributions approximating \$120,000 and \$150,000, respectively, 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 GAAP.

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 in-kind expense.

Functional Expenses

The cost of providing various program services and other activities have been summarized on a functional basis in the statement of activities and functional expenses. Accordingly, certain costs such as salaries and related costs, occupancy, depreciation, insurance and supplies are 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.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Agency is exempt from federal and Arizona income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, 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 Code.

Management believes that the Agency has no uncertain tax positions as of June 30, 2025 and 2024.

Subsequent Events

The Agency has evaluated subsequent events through March 30, 2026, the date the Agency's financial statements were issued, and has concluded that no events have occurred since the year ended June 30, 2025, that would require an adjustment to, or disclosure in the financial statements.

Reclassifications

Certain items in the prior year financial statements have been reclassified to conform to the current year's presentation.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

The Agency has the following financial assets that could readily be made available within one year of its fiscal year end to fund expenses without limitations at June 30:

	<u>2025</u>	<u>2024</u>
Financial assets included in current assets at year-end:		
Cash and cash equivalents	\$ 2,124,656	\$ 2,375,015
Grants and contributions receivable	173,833	570,701
Certificates of deposit	-	250,000
Investments	<u>1,079,775</u>	<u>1,001,263</u>
Total financial assets included in current assets	3,378,264	4,196,979
Less amounts unavailable to be used within one year:		
Restricted funds for time and purpose (excludes endowment funds)	<u>-</u>	<u>(181,349)</u>
Total financial assets available to meet expenditures within one year	<u>\$ 3,378,264</u>	<u>\$ 4,015,630</u>

In addition to financial assets available to meet general expenditures over the year, the Agency operates with a balanced budget and anticipates covering its general expenditures by collecting revenue from contributions, grants, and other revenues; and by utilizing donor-restricted resources from current and prior year gifts.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

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 uncollectable accounts as of June 30, 2025 and 2024. One contributor made up 41% of the total grants and contributions receivable balance as of June 30, 2025 and 2024.

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Agency has the ability to access at the measurement date.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions. The Agency had no investments valued using Level 3 inputs at June 30, 2025 and 2024.

Exchange traded funds/mutual funds: Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 4 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2025	2024
Cash equivalents (excluded from fair value hierarchy)	\$ 10,666	\$ -
Level 1 inputs:		
Fixed Income:		
Exchange Traded & Closed End Funds	172,659	-
Mutual funds:		
Mutual Funds - Value	108,518	-
Mutual Funds - International Equity	21,870	-
Mutual Funds - Large Cap Equity	196,665	-
Mutual Funds - Mid Cap Equity	43,346	-
Mutual Funds - Alternatives	526,051	-
Total Level 1 inputs	1,069,109	-
Level 2 inputs:		
Pooled investments held at Arizona Community Foundation	-	1,001,263
Total investments	\$ 1,079,775	\$ 1,001,263

The Agency's investments are covered in limited amounts by Securities Investor Protection Corporation (SIPC). The Agency has not experienced material losses in such accounts and management believes it is not exposed to significant credit risks. Although management is not aware of any factors that would significantly affect the estimated fair value amounts of the Agency's investments, current estimates of fair value may differ significantly from the amounts presented in these financial statements.

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30:

	2025	2024
Land and land improvements	\$ 648,459	\$ 648,459
Buildings and building improvements	1,215,309	1,215,309
Furniture and Equipment	291,149	339,555
Vehicles	25,965	25,965
Total	2,180,882	2,229,288
Accumulated depreciation	(462,140)	(404,331)
Property and equipment, net	\$ 1,718,742	\$ 1,824,957

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 6 - NOTE PAYABLE

On December 13, 2021, the Agency entered into a note payable with a financial institution totaling \$1,200,000. The note bears interest at 3.93%, requires principal and interest payments in equal monthly installments of \$6,338, and matures on January 1, 2032. The remaining principal payments subsequent to June 30, 2025 are as follows:

2026	\$	32,987
2027		34,325
2028		35,607
2029		37,923
2030		38,671
Thereafter		<u>916,377</u>
Total	\$	<u><u>1,095,890</u></u>

The note is secured by the Agency's building and the note is subject to various financial and nonfinancial covenants. The Agency was in compliance with restrictive financial covenants at June 30, 2025 and 2024.

NOTE 7 - NET ASSETS

Net assets with donor restrictions are available for the following purposes as of June 30, **2025** and **2024**:

	<u>2025</u>	<u>2024</u>
Subject to expenditures for specified purpose:		
Programs	\$ -	\$ 175,000
Scholarships	<u>-</u>	<u>6,349</u>
Total	-	181,349
Cash held for endowment funds:	<u>100,000</u>	<u>100,000</u>
Total net assets with donor restrictions	<u><u>\$ 100,000</u></u>	<u><u>\$ 281,349</u></u>

Net assets of \$181,349 and \$269,698 were released from restrictions during the years ended June 30, 2025 and 2024, respectively, related to the fulfillment of program and time restrictions.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 8 - ENDOWMENT

The Agency's endowment consists of a fund established to support the general purpose of the Agency. Its endowment consists of donor-restricted funds. As required by GAAP, 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.

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 endowment. The endowment assets were included in a non-interest bearing bank account at June 30, 2025 and 2024.

Endowment net asset composition by type as of June 30, 2025 and 2024 :

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment fund	\$ -	\$ 100,000	\$ 100,000
Total	\$ -	\$ 100,000	\$ 100,000

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 8 - ENDOWMENT (CONTINUED)

The changes in endowment net assets for the years ended June 30, 2025 and 2024, are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets - beginning of year	\$ -	\$ 100,000	\$ 100,000
Endowment net assets - end of year	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 100,000</u>

NOTE 9 - SPECIAL EVENTS REVENUE

Special events revenue is comprised of the following for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Annual Fundraising Gala	\$ 299,809	\$ 416,030
Tee Up For Kids	66,708	71,193
Wine, Women & Shoes	164,294	-
Paul's Car Wash	165,722	122,585
Other Events	<u>272,728</u>	<u>202,165</u>
Total	<u>\$ 969,261</u>	<u>\$ 811,973</u>

NOTE 10 - CONTRIBUTIONS IN-KIND

During the years ended June 30, 2025 and 2024 the Agency received the following in-kind donations:

	<u>2025</u>	<u>2024</u>
Public support and revenues:		
Donated tickets, gift cards and goods	\$ 241,821	\$ 139,751
Professional services	<u>11,824</u>	<u>14,451</u>
Total public support and revenues	253,645	154,202
Special events	<u>173,595</u>	<u>94,983</u>
Total	<u>\$ 427,240</u>	<u>\$ 249,185</u>

Program related in-kind consists of donated tickets and gift certificates to be distributed to kids. The Agency estimates the fair value of the program related in-kinds on the basis of estimates of the current market rates for similar travel, goods and other services in the Agency's market.

The Agency estimates the fair value of donated items and professional services based on the current market rates for similar items in the Agency's market. The Agency also receives items to be sold at its special events. Contributed items sold are valued at the gross selling price received and the value is included in special event revenue on the statement of activities. The amount of contributed items received and sold during the years ended June 30, 2025 and 2024 totaled \$181,349 and \$269,698, respectively.

BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

(with comparative financial information as of and for the year ended June 30, 2024)

NOTE 11 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2025, the Association paid the Agency \$885,546, including contributions totaling \$843,546 and rental income totaling \$42,000. During the year ended June 30, 2024, the Association paid the Agency \$921,573, including contributions totaling \$879,573 and rental income totaling \$42,000. In addition, the Association reimbursed the Agency for expenses of \$155,019 and \$212,352 during the years ended June 30, 2025 and 2024, respectively.

During the years ended June 30, 2025 and 2024, the Agency received cash and in-kind contributions from Board members totaling \$193,683 and \$87,757, respectively.

NOTE 12 - RETIREMENT PLANS

The Agency maintains a defined contribution retirement plan (the Plan) for its employees established under the Code Section 403(b). The Plan covers essentially all management and exempt employees, exclusive of those employees who have elected not to participate. The Agency made contributions to the Plan totaling \$35,532 and \$16,610 for the years ended June 30, 2025 and 2024, respectively.

NOTE 13 - 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 Agency is in compliance with applicable grant or contract requirements and as such, any amount of expenditures or fees for units of service which ultimately may be disallowed by the granting or contracting agencies cannot be determined at this time.

The Agency is also involved in a pending lawsuit filed in a previous fiscal year. Management consults with legal counsel on an ongoing basis regarding the status and potential outcome of this and other matters. In accordance with ASC 450, *Contingencies*, the Agency accrues for an estimated loss when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Management has not recorded a liability related to this lawsuit as of June 30, 2025, based on consultations with legal counsel.

NOTE 14 - 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 may exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Investments in mutual funds are not insured by the FDIC.

The Association provided \$843,546 or 27%, and \$879,573 or 25% of total public support during the years ended June 30, 2025 and 2024, respectively. Should these contribution levels decrease, the Agency may be adversely affected.