

**Yavapai Big Brothers Big Sisters, Inc.
(A Not-for-Profit Organization)**

Financial Statements and Report

**As of and for the Year Ended
June 30, 2024**



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Yavapai Big Brothers Big Sisters, Inc.
Prescott, AZ

Opinion

We have audited the financial statements of Yavapai Big Brothers Big Sisters, Inc. (YBBBS or “the Organization”), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 the 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 Organization’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 GAAS and Government 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 GAAS, 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 Organization'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 Organization'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.

A handwritten signature in black ink that reads "Linked Accounting, LLP". The signature is written in a cursive, flowing style.

Linked Accounting, LLP
Kaysville, UT
March 3, 2025

Yavapai Big Brothers Big Sisters, Inc.
Statement of Financial Position
June 30, 2024

ASSETS

Current Assets

| | |
|-------------------------------|--------------|
| Cash and cash equivalents | \$ 157,023 |
| Contributions receivable, net | 95,101 |
| Investments, fair value | 332,043 |
| Prepaid expenses | 18,090 |
| Inventory | <u>2,598</u> |
| Total current assets | 604,855 |

Noncurrent Assets

| | |
|-----------------------------|------------------|
| Property and equipment, net | <u>1,012,965</u> |
| Total noncurrent assets | <u>1,012,965</u> |

| | |
|---------------------|-----------------------------------|
| Total assets | <u><u>\$ 1,617,820</u></u> |
|---------------------|-----------------------------------|

LIABILITIES AND NET ASSETS

Liabilities

Current Liabilities

| | |
|-------------------------------|--------------|
| Accounts payable | \$ 11,302 |
| Accrued payroll liabilities | 56,072 |
| Note payable, current | 10,136 |
| Note payable accrued interest | <u>2,708</u> |
| Total current liabilities | 80,218 |

Noncurrent liabilities

| | |
|------------------------------|----------------|
| Note payable, net of current | <u>489,864</u> |
| Total noncurrent liabilities | <u>489,864</u> |
| Total liabilities | 570,082 |

Net Assets

| | |
|----------------------------|----------------|
| Without donor restrictions | 903,794 |
| With donor restrictions | <u>143,944</u> |

| | |
|------------------|------------------|
| Total net assets | <u>1,047,738</u> |
|------------------|------------------|

| | |
|---|-----------------------------------|
| Total liabilities and net assets | <u><u>\$ 1,617,820</u></u> |
|---|-----------------------------------|

See accompanying notes to financial statements and independent auditors' report.

Yavapai Big Brothers Big Sisters, Inc.
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---------------------------------------|------------------------------------|----------------------------|
| Revenue | | | |
| Individual and corporate contributions | \$ 540,616 | \$ - | \$ 540,616 |
| Foundation contributions | 114,478 | 38,500 | 152,978 |
| In-kind contributions | 28,286 | - | 28,286 |
| Government grants | 16,453 | 8,833 | 25,286 |
| Other | 12,831 | - | 12,831 |
| Investment earnings, net | - | 11,487 | 11,487 |
| Special event revenue | 188,425 | - | 188,425 |
| Special event in-kind contributions | 1,317 | - | 1,317 |
| Less cost of direct benefit to donors | <u>(35,717)</u> | <u>-</u> | <u>(35,717)</u> |
| Net special events | 154,025 | - | 154,025 |
| Net assets released from restrictions | <u>237,832</u> | <u>(237,832)</u> | <u>-</u> |
| Total revenue | 1,104,521 | (179,012) | 925,509 |
| Expenses | | | |
| Program services | 837,315 | - | 837,315 |
| Supporting activities: | | | |
| Management and general | 272,253 | - | 272,253 |
| Fundraising | <u>223,586</u> | <u>-</u> | <u>223,586</u> |
| Total supporting activities | <u>495,839</u> | <u>-</u> | <u>495,839</u> |
| Total expenses | <u>1,333,154</u> | <u>-</u> | <u>1,333,154</u> |
| Change in net assets | (228,633) | (179,012) | (407,645) |
| Net assets, beginning of the year | <u>1,132,427</u> | <u>322,956</u> | <u>1,455,383</u> |
| Net assets, end of the year | <u><u>\$ 903,794</u></u> | <u><u>\$ 143,944</u></u> | <u><u>\$ 1,047,738</u></u> |

See accompanying notes to financial statements and independent auditors' report.

Yavapai Big Brothers Big Sisters, Inc.
Statement of Functional Expenses
Year Ended June 30, 2024

| | Program Services | Supporting Activities | | Supporting Subtotal | Cost of Direct Benefits to Donors | Total Expenses |
|--|---------------------|---------------------------|-------------------|------------------------|--------------------------------------|---------------------|
| | | Management and General | Fundraising | | | |
| Salary and related expenses | | | | | | |
| Salaries and wages | \$ 566,863 | \$ 161,961 | \$ 80,980 | \$ 242,941 | \$ - | \$ 809,804 |
| Payroll taxes | 42,118 | 12,034 | 6,017 | 18,051 | - | 60,169 |
| Employee benefits and related | 48,587 | 13,882 | 6,941 | 20,823 | - | 69,410 |
| Total payroll expenses | 657,568 | 187,877 | 93,938 | 281,815 | - | 939,383 |
| Operating expenses | | | | | | |
| Accounting | - | 30,546 | - | 30,546 | - | 30,546 |
| Advertising and marketing | 11,940 | 1,621 | 1,179 | 2,800 | - | 14,740 |
| Bank and processing fees | 7,747 | 7,482 | 765 | 8,247 | - | 15,994 |
| Credit loss expense | - | 7,750 | - | 7,750 | - | 7,750 |
| Depreciation | 17,848 | 4,401 | 2,200 | 6,601 | - | 24,449 |
| Dues and licenses | 3,843 | 3,306 | 538 | 3,844 | - | 7,687 |
| Event expense | - | - | 111,828 | 111,828 | 35,717 | 147,545 |
| Information technology | 22,749 | 3,089 | 2,247 | 5,336 | - | 28,085 |
| Insurance | 16,766 | 4,078 | 1,813 | 5,891 | - | 22,657 |
| Interest | 11,380 | 1,545 | 1,124 | 2,669 | - | 14,049 |
| Investment expenses | - | 1,173 | - | 1,173 | - | 1,173 |
| Legal | 471 | 706 | - | 706 | - | 1,177 |
| Miscellaneous | 755 | 103 | 75 | 178 | - | 933 |
| Occupancy | 14,375 | 2,581 | 1,559 | 4,140 | - | 18,515 |
| Office expense | 2,445 | 332 | 241 | 573 | - | 3,018 |
| Payments to affiliates | 12,187 | 10,480 | 1,706 | 12,186 | - | 24,373 |
| Rental | 6,342 | 1,357 | 736 | 2,093 | - | 8,435 |
| Supplies | 27,425 | 1,812 | 1,318 | 3,130 | - | 30,555 |
| Telecommunications | 9,141 | 1,241 | 903 | 2,144 | - | 11,285 |
| Travel and meeting | 14,333 | 1,946 | 1,416 | 3,362 | - | 17,695 |
| Total operating expenses | 179,747 | 85,549 | 129,648 | 215,197 | 35,717 | 430,661 |
| Total Expenses | 837,315 | 273,426 | 223,586 | 497,012 | 35,717 | 1,370,044 |
| Less: functional expenses included in revenues on the statement of activities | | | | | | |
| Investment expenses | - | (1,173) | - | (1,173) | - | (1,173) |
| Cost of direct benefits to donors | - | - | - | - | (35,717) | (35,717) |
| Total expenses included in the expense section on the statement of activities | \$ 837,315 | \$ 272,253 | \$ 223,586 | \$ 495,839 | \$ - | \$ 1,333,154 |

See accompanying notes to financial statements and independent auditors' report.

Yavapai Big Brothers Big Sisters, Inc.
Statement of Cash Flows
Year Ended June 30, 2024

Cash Flows From Operating Activities:

| | |
|---|------------------|
| Change in net assets | \$ (407,646) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation expense | 24,449 |
| Net unrealized loss/(gain) on investments | (3,100) |
| Endowment net investment return | (11,487) |
| Changes in operating assets and liabilities: | |
| Contributions receivable | 74,970 |
| Prepaid expenses | (4,748) |
| Inventory | (660) |
| Accounts payable | (24,515) |
| Accrued payroll liabilities | (5,057) |
| Note payable accrued interest | (12,459) |
| Net cash used by operating activities | <u>(370,253)</u> |

Cash Flows From Investing Activities:

| | |
|---|---------------|
| Purchase of investments | (200,000) |
| Proceeds from sales of endowment | <u>5,100</u> |
| Net cash used by investing activities | (194,900) |
| Net decrease in cash and cash equivalents | (565,153) |

Cash and cash equivalents:

| | |
|-------------------|-------------------|
| Beginning of year | <u>722,176</u> |
| End of year | <u>\$ 157,023</u> |

Supplemental Cash Flow Information

| | |
|------------------------|------------------|
| Cash paid for interest | <u>\$ 26,868</u> |
|------------------------|------------------|

See accompanying notes to financial statements and independent auditors' report.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies

Organization

Yavapai Big Brother Big Sisters Inc. (YBBBS or “the Organization”), creates and supports one-to-one mentoring relationships for youth ages 6 to 24 by matching them with volunteer community adults through professional, intentional, and meaningful programming. The Organization is an independent 501(C)(3) and nationally affiliated organization with offices in Prescott and Cottonwood, enhancing lives throughout all of Yavapai County. YBBBS has proudly served our communities for over 50 years, having served over 11,500 volunteers, youth and their families.

Summary of Significant Accounting Policies

Basis of Accounting

The Organization’s financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (“GAAP”).

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Contributions Receivable

Contributions receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for credit loss 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 used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management found that the collectability of some receivables as of June 30, 2024, unlikely; as such, \$7,750 was written off to credit loss expense. Collectability of the remaining receivables was determined to be probable thus there was no allowance for credit loss accounts provision as of June 30, 2024.

Investments

The Organization records investment purchases 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 return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment fees.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies – (Continued)

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits. As of June 30, 2024, the Organization did not have deposits in excess of FDIC insurance limits. To date, the Organization has not experienced losses in any of these accounts.

Inventory

Inventory consists of donated and purchased assets, primarily gift cards, held for use for programmatic activities.

Property and Equipment

YBBBS records property and equipment additions over \$2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies – (Continued)

Leases

The Organization determines if an arrangement is a lease at inception. Contracts containing a lease are further evaluated for classification as an operating or finance lease. In determining the leases classification the Organization assesses among other criteria: (i) 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset.

Operating leases are included in operating lease right-of-use (“ROU”) assets and long-term operating lease liabilities in the Organizations statement of financial position. Finance leases are included in property, plant and equipment, net and long-term finance lease liabilities in the Organization’s statement of financial position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. For leases with terms greater than 12 months and calculated right-of-use asset over \$5,000, the Organization records the ROU asset and liability at commencement date based on the present value of lease payments according to their term.

The Organization uses incremental borrowing rates based on the estimated rate of interest for collateralized borrowing over a similar term of the lease payments at commencement date. The ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term or the useful life of the leased asset.

In addition, the carrying amount of the ROU and lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The Organization has a practice of not capitalizing any leases with an initial cost plus the costs of any options, of \$5,000 or less.

Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of 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.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies – (Continued)

Revenue and Revenue Recognition

The Organization recognizes revenue from exchange transactions in accordance with FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. The core principle is that an entity will recognize revenue to depict 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. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

The Organization reports contributions in the donor restricted net asset class if they are received with donor stipulation as to their use and/or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are released and reclassified to net assets without donor restriction in the statement of activities.

Donor-restricted contributions are initially reported in the with donor restriction net asset class even if it is anticipated such restrictions will be met in the current reporting period.

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participants at the event. The fair value of the food, beverages and entertainment provided at the special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of the direct donor benefits in the accompanying Statement of Activities.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, management and general, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received.

Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide various services, some of which are not recognized as contributions in the financial statements since the recognition criteria were not met.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies – (Continued)

Advertising Expenses

Advertising expenses are expensed as incurred and totaled \$14,740 for the year ended June 30, 2024.

Contingencies

The Organization may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. In addition, The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization adopted the provisions of ASC 740, *Income Taxes*, on January 1, 2009. As required by the uncertain tax position guidance in ASC 740, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, the Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized additional liability for unrecognized tax benefits nor any interest and penalties as of June 30, 2024. Management does not anticipate that this will change significantly in the next twelve months.

The Organization files income tax returns in the U. S. federal jurisdiction. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2021.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

1. Organization and Summary of Significant Accounting Policies – (Continued)

Accounting Standard Updates Recently Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 provides guidance for estimating credit losses on certain types of financial instruments, including trade receivables, by introducing an approach based on expected losses. The expected loss approach will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The guidance requires a modified retrospective transition method and early adoption is permitted. The Organization adopted ASU 2016-13 as of July 1, 2023 with no material impact to its financial statements.

Subsequent Events

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure through March 3, 2025, the date on which the financial statements were available to be issued and have determined no events require disclosure. As of the date of the auditors' report, the Organization has not had any material impact from executive actions made in January 2025 regarding federal awards.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Financial assets at year end:

| | |
|---------------------------|----------------|
| Cash and cash equivalents | \$ 157,023 |
| Contributions receivable | 95,101 |
| Investments, fair value | <u>332,043</u> |
| Total financial assets | 584,167 |

Less amounts not available to be used for general expenditures:

| | |
|--|--------------------------|
| Net assets with donor restrictions | <u>143,944</u> |
| | 143,944 |
| Total financial assets available to meet cash needs for general expenditure | <u><u>\$ 440,223</u></u> |

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

3. Contributions Receivable

Receivables consisted of the following asset categories as of June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|---|------------------------------------|------------------|
| Due within one year | | | |
| Contributions receivable | \$ 5,583 | \$ - | \$ 5,583 |
| ERC receivable | 89,518 | - | 89,518 |
| Total contribution receivable | <u>\$ 95,101</u> | <u>\$ -</u> | <u>\$ 95,101</u> |

4. Investments

The Organization reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access 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.

As of June 30, 2024, the Organizations investments consisted of an investment in a long-term diversified pool, and certificates of deposit. The certificates of deposit are considered level 1 with readily determinable fair values based on daily redemption values. The long-term diversified pool funds are classified as level 2 the Organization holds a pooled investment.

Investments consist of the following at June 30, 2024:

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|-------------------|-------------------|----------------|-------------------|
| Long Term Diversified Pool | \$ - | \$ 128,943 | \$ - | \$ 128,943 |
| Certificates of Deposit | 203,100 | - | - | 203,100 |
| | <u>\$ 203,100</u> | <u>\$ 128,943</u> | <u>\$ -</u> | <u>\$ 332,043</u> |

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

5. Endowment

A quad city fund was established in 2005 to continually provide funds for operations and administration.

The Board of Directors of YBBBS follow Arizona's Management of Charitable Funds Act (the Act), which is patterned after and is in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) which requires the preservation of the fair value of the original Endowment fund gift, as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary. At June 30, 2024 there were no such donor stipulations.

When a donor's intent is not expressed, the Act directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continues in perpetuity. In accordance with the Act, the Organization retains in perpetuity and classifies as net assets with donor restriction (a) the original value of initial and subsequent gift amounts donated to the Endowment fund and (b) any accumulations to the Endowment fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

Donor- restricted amounts not retained in perpetuity are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Under the original agreement with Arizona Community Foundation (ACF), when the fund was established, invasion of the principle is allowed for emergency purposes by request of the full Board of Directors by a two-thirds majority vote and approval by the Foundation's Board of Directors. The Organization had the following endowment net asset composition by type of fund:

| | With Donor Restrictions | Without Donor Restrictions | Total |
|---|------------------------------------|---|--------------------------|
| June 30, 2024 | | | |
| Donor-restricted endowment funds | | | |
| Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor | \$ 99,210 | \$ - | \$ 99,210 |
| Accumulated investment gains | 29,733 | - | 29,733 |
| | <u><u>\$ 128,943</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 128,943</u></u> |

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

5. Endowment - (Continued)

Deficiencies

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the Act and UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. There were no deficiencies in the fund during the year or at the year ended June 30, 2024.

Investment and Spending Policy

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to outperform over market cycle an appropriate pre-specified market index rate of return, and to achieve favorable investment results relative to investors with similar objectives and policies, and to achieve the maximum total return over the long term that is commensurate with a reasonable degree of risk. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Endowment assets are invested mostly in fixed income and equitable market securities. The Organization has a policy of appropriating 3% of the value of the funds for distribution. The percentage is determined by analyzing the past ten years' rate of return and the current year's earnings. Any remaining earnings are reinvested into the fund to grow the endowment. This is consistent with the entity's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return. However, during the year ended June 30, 2024, there was no appropriation of endowment assets.

Changes in endowment net assets are as follows:

| Year ended June 30, 2024 | With Donor Restrictions | Board Designated | Total |
|---|------------------------------------|-----------------------------|-------------------|
| Endowment net assets, beginning of year | \$ 122,556 | \$ - | \$ 122,556 |
| Investment earnings, net | 11,487 | - | 11,487 |
| Appropriation of endowment assets pursuant to spending policy | (5,100) | - | (5,100) |
| Endowment net assets, end of year | \$ 128,943 | \$ - | \$ 128,943 |

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

6. Property and Equipment

Property and equipment consisted of the following asset categories as of June 30, 2024:

| | Estimated Useful Lives | |
|---|-----------------------------------|----------------------------|
| Buildings | 39 years | \$ 842,877 |
| Leasehold improvements | 15 years | 20,245 |
| Computers and equipment | 5 years | 66,967 |
| Software | 5 years | 21,626 |
| Land | Non-depreciable | 540,000 |
| Accumulated depreciation and amortization | | <u>(478,750)</u> |
| | | <u><u>\$ 1,012,965</u></u> |

Depreciation and amortization expense for the year ended June 30, 2024 was \$24,449.

7. Notes Payable

The Organization received an Economic Injury Disaster Loan, EIDL, of \$150,000 on June 19, 2020, which was amended to \$500,000 on August 15, 2021. The loan is payable in monthly principal and interest payments totaling \$2,209. The note has an interest rate of 2.75% and is set to mature in June 2050.

Principal maturities of the note payable are as follows as of June 30, 2024:

| | |
|------------|--------------------------|
| 2025 | \$ 10,136 |
| 2026 | 13,202 |
| 2027 | 13,569 |
| 2028 | 13,913 |
| 2029 | 14,335 |
| Thereafter | <u>434,845</u> |
| | <u><u>\$ 500,000</u></u> |

8. Net Assets with Donor Restrictions

Donor restricted assets are restricted for the following programs as of June 30, 2024:

| | |
|---|--------------------------|
| Subject to expenditure for specified purposes: | |
| Career counseling | \$ 15,000 |
| Endowments: | |
| Subject to NFP endowment spending policy and appropriation: | |
| Quad-City | 29,734 |
| Not subject to spending policy or appropriation: | |
| Endowment corpus - held in perpetuity | <u>99,210</u> |
| | <u>128,944</u> |
| Total net assets with donor restrictions | <u><u>\$ 143,944</u></u> |

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

8. Net Assets with Donor Restrictions - (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended June 30, 2024:

Satisfaction of purpose restrictions:

| | |
|---------------------------------|--------------|
| Workforce development expansion | \$ 144,400 |
| Mentor program | 30,000 |
| Symposium | <u>2,332</u> |
| | 176,732 |

Subject to the passage of time:

| | |
|--|--------|
| Promises to give that are not restricted by donors but which are unavailable for expenditure until due | 56,000 |
|--|--------|

Restricted-purpose spending-rate distributions and appropriations:

| | |
|---|--------------|
| Operations and administration - endowment | <u>5,100</u> |
|---|--------------|

| | |
|---|--------------------------|
| Total net assets released from donor restrictions | <u><u>\$ 237,832</u></u> |
|---|--------------------------|

9. In-kind Contributions

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statement of activities included the following:

| | |
|------------------------|-------------------------|
| Advertising | \$ 14,400 |
| Information technology | 9,729 |
| Accounting | 881 |
| Office | 678 |
| Inventory | <u>2,598</u> |
| | 28,286 |
| Donated event services | <u>1,317</u> |
| | <u><u>\$ 29,603</u></u> |

Donated advertising related expenses were provided by a single donor. These services were used for program activities and were recognized at fair value based on current rates for similar services.

Donated information technology related expenses were provided by a single donor. These were in the form of services used for program, management and general, and fundraising activities and were recognized at fair value based on current rates for similar services.

Accounting services were provided by a single donor. These services were used in management and general activities and were recognized at fair value based on current rates for similar services.

Office expenses were provided by various donors. These were in the form of services used for program, management and general, and fundraising activities and were recognized at fair value based on current rates for similar services.

Yavapai Big Brothers Big Sisters, Inc.
Notes to the Financial Statements
Year Ended June 30, 2024

9. In-kind Contributions - (Continued)

Donated inventory was provided by various donors. This was in the form of gift cards that will be used for program activities in the next fiscal year and were recognized at the face value of the gift cards.

Donated event services were provided by various donors. These services were used for fundraising activities and were recognized at fair value based on current rates for similar services.

10. Employee Benefit Plan

The Organization has a 403(b) plan on behalf of eligible employees. Full-time employees become eligible for the plan immediately. Part-time employees become eligible after they have completed one year of service and have completed at least 1,000 hours of service. The Organization may make employer matching contributions at the discretion of the Board of Directors. The Organization did not contribute to the 403(b) plan and did not have any liabilities for the year ended June 30, 2024.

11. Affiliated Organizations

The Organization is affiliated with the national Big Brothers Big Sisters of America (BBBSA) and the Yavapai Big Brothers Big Sisters Foundation (YBBBSF).

While the Organization has an economic interest in the foundation, it does not have control and therefore, its operations are not consolidated in the financial statements of the Organization. The mission of YBBBSF is to assure the sustainability of YBBBS programs through the building of endowment support of the Organization's mission in future years. The Organization received contributions of \$47,200 from the foundation during the year ended June 30, 2024.

The Organization pays an annual affiliation fee, software subscription fee and technology license fee to the national affiliate and paid a total of \$24,373 to BBBSA during the year ended June 30, 2024. These amounts are reported as payments to affiliates in the Statement of Functional Expenses.

As of June 30, 2024, no amounts were due to or from the national affiliate.