

YAVAPAI BIG BROTHERS BIG SISTERS, INC.

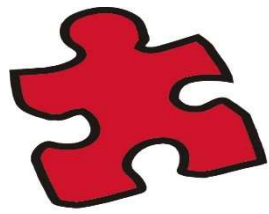
(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

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Schutte & Hilgendorf PLLC - CPA'S

Solving Accounting, Audit & Tax Puzzles

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Yavapai Big Brothers Big Sisters, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

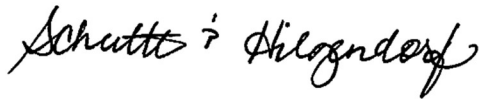
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Yavapai Big Brothers Big Sisters, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Effect of Adopting New Accounting Standard

As discussed in Note 1, in May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, which amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018.

ASU No. 2018-08 - *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. For contributions, an entity should follow the guidance in Subtopic 958-605, *Revenue Recognition for Not-for-Profit Entities*, whereas for exchange transactions, an entity should follow other guidance, such as Topic 606, *Revenue from Contracts with Customers*.

The Organization has adopted ASU No. 2014-09 and ASU No. 2018-08. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosure of revenue have been enhanced in accordance with these standards.

A handwritten signature in black ink, appearing to read "Schutte & Hilgendorf", written in a cursive style.

Prescott, Arizona
March 22, 2021

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2020 and 2019

ASSETS	2020	2019
Cash and cash equivalents (Note 1)	\$ 331,760	\$ 166,067
Unconditional promises to give, net of discount and allowance (Notes 1 and 3)	13,919	45,582
Events and other accounts receivable, net of allowance (Note 1)	18,201	24,155
Grants receivable	50,000	-
Prepaid expenses (Note 1)	7,742	10,078
Purpose-restricted investments held by ACF (Notes 4 and 6)	6,567	13,727
TOTAL CURRENT ASSETS	428,189	259,609
Inventory of donated items for auction (Note 1)	5,063	8,256
Property and equipment, net (Notes 1 and 5)	1,097,067	1,118,791
Endowments held by ACF (Notes 4 and 6)	99,210	99,210
TOTAL ASSETS	\$ 1,629,529	\$ 1,485,866
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 21,423	\$ 36,671
Accrued expenses (Note 7)	65,936	76,056
Line of credit (Note 8)	-	148,270
Current portion due to affiliate (Note 16)	5,500	6,000
Current portion of mortgage payable (Note 9)	5,373	5,661
Deferred revenue	6,500	10,000
TOTAL CURRENT LIABILITIES	104,732	282,658
Long-term due to affiliate (Note 16)	-	5,000
Long-term mortgage payable (Note 9)	-	5,835
Payroll Protection Program loan payable (Note 10)	185,300	-
Economic Injury Disaster Loan payable (Note 11)	150,000	-
TOTAL LIABILITIES	440,032	293,493
NET ASSETS		
Without donor restrictions	1,064,801	1,004,019
With donor restrictions		
Restricted by time or purpose (Note 12)	25,486	89,144
Held in perpetuity (Notes 6 and 12)	99,210	99,210
TOTAL NET ASSETS	1,189,497	1,192,373
TOTAL LIABILITIES AND NET ASSETS	\$ 1,629,529	\$ 1,485,866

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2020 and 2019

NET ASSETS WITHOUT DONOR RESTRICTIONS

	2020	2019
Support and revenue		
Contributions and pledges	\$ 451,250	\$ 320,475
Contributions from YBBBS Foundation (Note 16)	57,744	30,490
In-kind contributions	93,484	69,591
Grants	111,811	64,978
Special events	374,955	617,124
Less direct costs of events	(150,281)	(118,355)
Net special events revenue	224,674	498,769
	938,963	984,303
Gain (loss) on asset disposition	-	(2,171)
Insurance proceeds	-	5,532
Interest income on cash accounts	211	187
TOTAL SUPPORT AND REVENUE WITHOUT RESTRICTIONS	939,174	987,851
Net assets released from restrictions and reclassifications	304,398	139,071
TOTAL SUPPORT AND REVENUE AND RECLASSIFICATIONS WITHOUT RESTRICTIONS	1,243,572	1,126,922

Functional Expenses		
Program	854,867	1,010,539
Management and general	219,195	265,632
Fundraising	108,728	133,510
TOTAL EXPENSES	1,182,790	1,409,681
INCREASE(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	60,782	(282,759)

NET ASSETS WITH DONOR RESTRICTIONS

Contributions and pledges	225,000	12,650
Grants	18,000	138,800
Investment income, net of fees	1,369	1,107
Realized and unrealized gains (losses) on investments	(3,629)	967
Net assets released from restrictions and reclassifications	(304,398)	(139,071)
INCREASE(DECREASE) IN NET ASSETS WITH DONOR RESTRICTIONS	(63,658)	14,453
(DECREASE) IN NET ASSETS	(2,876)	(268,306)
NET ASSETS AT BEGINNING OF PERIOD	1,192,373	1,460,679
NET ASSETS AT END OF PERIOD	\$ 1,189,497	\$ 1,192,373

See notes to financial statements and independent auditors' report

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

	Program	Management and General	Fundraising	Total
Advertising and marketing	\$ 3,824	\$ 519	\$ 378	\$ 4,721
Bad debt	18,281	-	-	18,281
Computer expenses	17,260	2,344	1,705	21,309
Conferences and seminars	2,074	281	205	2,560
Depreciation expense (Note 5)	15,859	3,910	1,955	21,724
Dues and fees (Note 16)	24,772	13,519	3,255	41,546
Employee benefits (Note 14)	61,901	17,686	8,843	88,430
Equipment costs (Note 13)	13,234	1,797	1,307	16,338
Events (Note 1)	-	-	351	351
Insurance	29,171	6,560	3,082	38,813
Interest expense	3,967	539	391	4,897
Legal fees	885	1,328	-	2,213
Payroll taxes	39,528	11,294	5,647	56,469
Postage	741	101	73	915
Printing and publications	1,508	205	149	1,862
Professional and outside services	30,429	4,132	3,005	37,566
Program activities and events	26,155	-	-	26,155
Rent expense (Note 13)	5,368	-	-	5,368
Repairs and maintenance	10,094	2,489	1,245	13,828
Salaries and wages	514,205	146,915	73,457	734,577
Supplies	6,194	842	612	7,648
Telephone	5,865	796	579	7,240
Travel and mileage	16,479	2,238	1,627	20,344
Utilities	6,674	1,646	823	9,143
Miscellaneous expenses	399	54	39	492
	<u>\$ 854,867</u>	<u>\$ 219,195</u>	<u>\$ 108,728</u>	<u>\$ 1,182,790</u>
	72%	19%	9%	100%

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	Program	Management and General	Fundraising	Total
Advertising and marketing	\$ 12,161	\$ 1,651	\$ 1,201	\$ 15,013
Bad debt	5,943	-	-	5,943
Computer expenses	28,603	3,884	2,825	35,312
Conferences and seminars	3,559	483	351	4,393
Depreciation expense (Note 5)	19,634	4,841	2,421	26,896
Dues and fees (Note 16)	28,050	10,596	3,705	42,351
Employee benefits (Note 14)	61,074	17,450	8,725	87,249
Equipment costs (Note 13)	13,856	1,882	1,368	17,106
Events (Note 1)	6,982	-	9,080	16,062
Insurance	33,071	6,741	3,336	43,148
Interest expense	6,051	822	597	7,470
Legal fees	6,313	9,470	-	15,783
Long-term study cancellation fee (Note 16)	-	12,000	-	12,000
Payroll taxes	44,335	12,667	6,334	63,336
Postage	4,983	677	492	6,152
Printing and publications	7,290	990	720	9,000
Professional and outside services	27,544	3,741	2,720	34,005
Program activities and events	45,607	-	-	45,607
Rent expense (Note 13)	10,937	-	-	10,937
Repairs and maintenance	12,192	3,006	1,504	16,702
Salaries and wages	585,063	167,161	83,579	835,803
Supplies	11,758	1,597	1,161	14,516
Telephone	4,096	556	404	5,056
Travel and mileage	20,394	2,769	2,014	25,177
Utilities	7,272	1,793	897	9,962
Vista fees	3,000	750	-	3,750
Miscellaneous expenses	771	105	76	952
	<u>\$ 1,010,539</u>	<u>\$ 265,632</u>	<u>\$ 133,510</u>	<u>\$ 1,409,681</u>
	72%	19%	9%	100%

See notes to financial statements and independent auditors' report

YAVAPAI BIG BROTHERS BIG SISTERS, INC
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

CASH FLOW FROM OPERATING ACTIVITIES	2020	2019
(Decrease) in net assets	\$ (2,876)	\$ (268,306)
Adjustments to reconcile (decrease) in net assets to net cash (used) by operating activities:		
Depreciation expense	21,724	26,896
Bad debt expense	18,281	5,943
Amortization of discount on promises to give	(1,043)	(1,043)
Gain (loss) on asset disposition	-	2,171
Change in donated inventory	3,193	-
Unrealized (gain)loss on investment	3,629	(967)
(Increase) decrease in operating assets		
Unconditional promises to give, net of allowance	14,425	23,886
Events and other accounts receivable, net of allowance	5,954	(3,920)
Grants receivable	(50,000)	15,803
Prepaid expenses	2,336	3,203
(Decrease) increase in operating liabilities		
Accounts payable	(15,248)	(14,521)
Accrued expenses	(10,120)	(43,696)
Due to affiliate	(5,500)	11,000
Deferred revenue	(3,500)	545
NET CASH (USED) BY OPERATING ACTIVITIES	(18,745)	(243,006)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from investment withdrawals/sale of investments	4,900	4,900
Reinvested investment income	(2,423)	(2,236)
Investment fees	1,054	1,129
NET CASH PROVIDED BY INVESTING ACTIVITIES	3,531	3,793
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	50,000	354,280
Principal payments on line of credit	(198,270)	(206,010)
Principle payments on mortgages	(6,123)	(5,942)
Proceeds from Payroll Protection Program loan	185,300	-
Proceeds from Economic Injury Disaster Loan	150,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	180,907	142,328
NET INCREASE(DECREASE) IN CASH	165,693	(96,885)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	166,067	262,952
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 331,760</u>	<u>\$ 166,067</u>

See notes to financial statements and independent auditors' report

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Yavapai Big Brothers Big Sisters, Inc. (“Organization”) is a not-for-profit agency incorporated in Arizona in 1971 and is an affiliate of the national organization Big Brothers Big Sisters of America. The mission of the Organization is to provide children facing adversity with strong and enduring, professionally supported one-to-one relationships that change their lives for the better, forever. The purpose of the Organization is to provide a positive support system to children who are at risk generally, but not exclusively, from single-parent homes. The Organization serves Yavapai County with two locations, one in Prescott and one in Cottonwood. The Organization is primarily supported through grants, special events and contributions.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP). Under the accrual basis of accounting, revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred. The significant accounting policies followed are described below.

Financial Statement Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board (FASB) in accordance with GAAP. The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions, based upon the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations may be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donors have stipulated that the funds or assets be maintained in perpetuity.

Donor-restricted contributions and grants are reported as increases in net assets with donor restrictions. When a donor restriction ends or purpose is accomplished, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions, and are reported in the Statements of Activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available with an initial maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. The Organization maintains several accounts in one commercial bank, which at times, exceed federally insured limits. To date, the Organization has not experienced any losses in these accounts.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

Unconditional Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated cash flows. The discounts on these amounts are computed using a risk-free interest rate (4%) applicable to the year in which the contribution is made. Amortization of the discount is included in contribution revenue. Accounts deemed uncollectible are either charged to an allowance or written off to bad debt. During the years ended June 30, 2020 and 2019, \$3,600 and \$1,233, respectively, of unconditional promises to give were written off to bad debt. The allowance for doubtful accounts for unconditional promises to give was \$18,790 and \$6,600 at June 30, 2020 and 2019, respectively.

Events and Other Accounts Receivable

Events and other accounts receivable are expected to be collected within one year and are recorded at their net realizable value. Accounts deemed uncollectible are either charged to an allowance or written off to bad debt. During the years ended June 30, 2020 and 2019, \$0 and \$159, respectively, of events and other accounts receivable were written off to bad debt. The allowance for doubtful accounts for events and other accounts receivable was \$3,476 and \$750 at June 30, 2020 and 2019, respectively.

Prepaid Expenses

Prepaid expenses consist of insurance premiums and other prepaid expenses as of June 30, 2020 and 2019.

Inventories

Inventories consist of unsold auction items and are recorded at the donors' designated fair market value.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Purchased property and equipment are recorded at cost. Property and equipment are depreciated using the straight-line method of depreciation over three to thirty-nine years. The Organization capitalizes all asset purchases in excess of \$2,500.

Repair and maintenance costs are expensed as incurred.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Unrelated business income, of which the Organization had none for the years ended June 30, 2020 and 2019, would be subject to federal income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

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

Contributed Services, Materials and Facilities

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. These amounts have been reported as in-kind contributions on the Statements of Activities.

Donations of property and equipment (or other long-lived assets) are recorded as contributions at their estimated fair value. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as support with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The Organization records various types of in-kind contributions, including professional services, advertising, and goods and materials. Generally, professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns but which do not meet the criteria for financial statement recognition. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. For the years ended June 30, 2020 and 2019, the Organization received in excess of 25,000 unskilled volunteer hours.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019 was \$4,721 and \$15,013, respectively.

Use of Estimates

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

Because of the inherent uncertainties in estimating the allowance for doubtful accounts and the discount on unconditional promises to give (4%), it is at least reasonably possible that the estimates used will change within the near term.

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

Functional Allocation of Expenses

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

The costs of providing the programs and other various activities have been summarized on a functional basis in the Statements of Activities and the Statements of Functional Expenses. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All time and expenses are tracked internally and reported by department based on actual usage. Expenses that are directly identifiable by department are charged directly to programs on the basis of what department incurred the cost. Expenses that are directly identifiable by department include salaries and wages, supplies, maintenance and repairs, municipalities expense, postage and printing. Expenses such as employee benefits and payroll taxes are allocated based on salary allocations by department. Other program-related expenses, such as depreciation, insurance, and utilities, are allocated based on property and equipment usage by department. Administration and fundraising expenses include both directly identifiable and allocated expenses not easily identifiable with specific program operations but related to the overall support and management of the Organization. All other expenses are allocated on the basis of estimates of time and effort.

Change in Accounting Principal

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 – Revenue from Contracts with Customers (Topic 606), which amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures. The standard is effective for annual reporting periods beginning after December 15, 2018.

ASU No. 2018-08 - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, was issued by the FASB in June 2018. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. For contributions, an entity should follow the guidance in Subtopic 958-605, Revenue Recognition for Not-for-Profit Entities, whereas for exchange transactions, an entity should follow other guidance, such as Topic 606, Revenue from Contracts with Customers.

The Organization has adopted ASU No. 2014-09 and ASU No. 2018-08. Analysis of various provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue. The presentation and disclosure of revenue have been enhanced in accordance with these standards.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 2 – AVAILABILITY AND LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$331,760	\$166,067
Unconditional promises to give, net	13,919	45,582
Events and other accounts receivable, net	18,201	24,155
Grants receivable	<u>50,000</u>	<u>-</u>
Total financial assets at year-end	413,880	235,804
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	(5,000)	(29,835)
Promises to give due in 2 to 5 years, net	<u>(5,769)</u>	<u>(21,682)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$403,111</u>	<u>\$184,287</u>

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

As discussed in Note 4, funds held at the Arizona Community Foundation (ACF) can be drawn on for emergency purposes by request of the full Board of Directors by a two-thirds majority vote and approval by the Foundation's Board of Directors. The balance in the ACF fund as of June 30, 2020 and 2019 is \$105,777 and \$112,937, respectively.

In addition, the Organization maintains a line of credit that can be drawn upon to meet unexpected liquidity needs (see Note 8). The credit limit is \$200,000, and as of June 30, 2020 and 2019, the amount available to draw upon was \$200,000 and \$51,730, respectively.

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recorded as receivables and revenue when promised. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Due to the nature of the promises in relation to time restriction of use in prior periods, unconditional promises to give are presented in these financial statements as net assets with donor restrictions that are restricted by time or purpose.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 3 – UNCONDITIONAL PROMISES TO GIVE (continued)

	<u>2020</u>	<u>2019</u>
Total Unconditional Promises to Give	\$32,940	\$53,850
Less:		
Allowance for doubtful accounts	(18,790)	(6,600)
Discount at 4%	<u>(231)</u>	<u>(1,668)</u>
Net Receivable With Donor Restrictions	<u>\$13,919</u>	<u>\$45,582</u>
 Amount due in:		
Less than 1 year	\$26,940	
One to two years	<u>6,000</u>	
	<u>\$32,940</u>	

NOTE 4 – INVESTMENTS HELD BY ACF

Investments are presented in these financial statements at fair market value. The Board has established policies regarding investment objectives and investment guidelines for each fund type.

The Organization transferred \$100,000 to the Arizona Community Foundation (ACF) in prior years. An agreement with ACF was executed on June 2, 2005, specifying that the Organization is entitled to 3% earnings annually and that the funds are to be used for operations and administration. The Organization has no variance power over the funds.

As of June 30, 2020 and 2019, the Organization has a recorded balance of \$105,777 and \$112,937, respectively. Under the agreement, invasion of the principle is allowed for emergency purposes by request of the full Board of Directors by a two-thirds majority vote and approval by the Foundation's Board of Directors. Although the agreement is cancelable, \$99,210 of the funds have been earmarked as the remaining net assets held in perpetuity that stayed with the Organization after other investment funds were transferred to the Yavapai Big Brothers Big Sisters Foundation. The remaining funds, including accumulated earnings, are recorded as net assets restricted by time or purpose until appropriated by the Board.

Funds are invested in pooled investments in equitable market securities and fixed income securities held by ACF. The fair values of these investments have been estimated using the net asset value (NAV) per share of the investments as provided by ACF, based on the value of each of the underlying investments, less applicable fees charged. The NAV is use as a practical expedient to estimate fair value. The practical expedient is not used when it is determined to be probable that the fund will sell for a different amount than the reported NAV.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 4 – INVESTMENTS HELD BY ACF (continued)

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

ACF Funds	<u>2020</u>	<u>2019</u>
Time or purpose restricted	\$ 6,567	\$ 13,727
Held in perpetuity	<u>99,210</u>	<u>99,210</u>
Total ACF Funds	<u>\$105,777</u>	<u>\$112,937</u>

Changes in investment assets held by ACF are as follows:

	<u>2020</u>	<u>2019</u>
Investment held by ACF at beginning of fiscal year	\$112,937	\$121,121
Investment income	2,422	2,236
Net appreciation/(depreciation)	(3,629)	967
Investment fees	(1,053)	(1,129)
Distributions	<u>(4,900)</u>	<u>(4,900)</u>
Investments held by ACF on June 30	<u>\$105,777</u>	<u>\$112,937</u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 540,000	\$ 540,000
Buildings	842,877	842,877
Furniture and fixtures	113,563	113,563
Building improvements	20,245	20,245
Software	<u>21,626</u>	<u>21,626</u>
Gross property, plant and equipment	1,538,311	1,538,311
Less accumulated depreciation	<u>(441,244)</u>	<u>(419,520)</u>
	<u>\$1,097,067</u>	<u>\$1,118,791</u>

Depreciation expense for the fiscal year ending June 30, 2020 and 2019 is \$21,724 and \$26,896, respectively.

NOTE 6 – ENDOWMENTS

The Organization's endowment consists of a fund established with contributions restricted by donors for endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – ENDOWMENTS (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets held in perpetuity (a) the original value of gifts donated to the endowment, to be held in perpetuity, (b) the original value of subsequent gifts to the endowment, to be held in perpetuity, and (c) accumulations to the endowment to be held in perpetuity, made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in net assets held in perpetuity is classified as net assets restricted by time or purpose until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

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

	Without Restriction	Time or purpose Restricted	Held in Perpetuity	Total
Donor-restricted funds	\$ -	\$ -	\$99,210	\$ 99,210
Unappropriated earnings on endowment	-	6,567	-	6,567
	<u>\$ -</u>	<u>\$6,567</u>	<u>\$99,210</u>	<u>\$105,777</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2019:

	Without Restriction	Time or purpose Restricted	Held in Perpetuity	Total
Donor-restricted funds	\$ -	\$ -	\$99,210	\$ 99,210
Unappropriated earnings on endowment	-	13,727	-	13,727
	<u>\$ -</u>	<u>\$13,727</u>	<u>\$99,210</u>	<u>\$112,937</u>

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – ENDOWMENTS (continued)

Change in Endowment Net Assets for the Fiscal Year Ended June 30, 2018 through June 30 2020:

	<u>Without Restriction</u>	<u>Time or purpose Restricted</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, as stated, June 30, 2018	\$ -	\$16,553	\$99,210	\$115,763
Investment return:				
Investment income, net of fees	-	1,107	-	1,107
Net appreciation (realized and unrealized)	-	967	-	967
Total investment return	-	2,074	-	2,074
Reclassifications and releases	-	(4,900)	-	(4,900)
Endowment net assets, June 30, 2019	\$ -	\$13,727	\$99,210	\$112,937

	<u>Without Restriction</u>	<u>Time or purpose Restricted</u>	<u>Held in Perpetuity</u>	<u>Total</u>
Endowment net assets, as stated, June 30, 2019	\$ -	\$13,727	\$99,210	\$112,937
Investment return:				
Investment income, net of fees	-	1,369	-	1,369
Net depreciation (realized and unrealized)	-	(3,629)	-	(3,629)
Total investment return	-	11,467	-	110,677
Reclassifications and releases	-	(4,900)	-	(4,900)
Endowment net assets, June 30, 2020	\$ -	\$6,567	\$99,210	\$105,777

Funds with Deficiencies

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor or SPMIFA requires the entity to retain as a fund of perpetual duration. This can be the result of unfavorable market fluctuations in combination with continued appropriation by the Board of Directors for program expenditure. It is believed that there are no deficiencies of this nature at June 30, 2020 and 2019, due to the accumulated earnings on the funds held in perpetuity. Current market gains have been classified as time or purpose restricted in accordance with policy until appropriated by the Board of Directors.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 6 – ENDOWMENTS (continued)

Risk Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include the assets of the donor-restricted funds that the entity must hold in perpetuity.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to outperform over market cycle an appropriate pre-specified market index rate of return, and to achieve favorable investment results relative to investors with similar objectives and policies, and to achieve the maximum total return over the long term that is commensurate with a reasonable degree of risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the entity relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year no more than 3 percent of the endowment fund's totals. The percentage is determined by analyzing the past ten (10) years' rate of return and the current year's earnings. Any remaining earnings are reinvested into the fund to grow the endowment. This is consistent with the entities' objective to maintain the purchasing power of the endowment assets held in perpetuity as well as provide additional real growth through new gifts and investment return.

NOTE 7 – ACCRUED EXPENSES

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

	<u>2020</u>	<u>2019</u>
Accrued vacation time	\$31,973	\$34,445
Accrued wages	33,697	30,158
Other accrued expenses	<u>266</u>	<u>11,453</u>
Total	<u>\$65,936</u>	<u>\$76,056</u>

NOTE 8 – LINE OF CREDIT

The Organization has an unsecured bank line of credit for any amount up to \$200,000. Draws on the line of credit bear interest at the greater of 0.25% under the Prime Rate or 3.0% and is payable monthly. The line was drawn on during the years ended June 30, 2020 and 2019 for operational purposes, and the outstanding line of credit balance as of June 30, 2020 and 2019 was \$0 and \$148,270, respectively.

Interest expense incurred on the line of credit during the fiscal year ended June 30, 2020 and 2019 was \$4,597 and \$6,600, respectively.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 9 – MORTGAGES PAYABLE

The Organization refinanced its office facility in Cottonwood with a private party note payable for \$42,117 on July, 2013. The note carries an interest rate of 3% per annum until July 1, 2021, when the remainder will be paid in full. Monthly payments are \$494. The balance of the note as of June 30, 2020 and 2019 is \$5,373 and 11,496, respectively.

Future scheduled maturities of the mortgage as of June 30, 2020 are:

2021	<u>\$5,373</u>
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NOTE 10 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN PAYABLE

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

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

On April 15, 2020, the Organization received a PPP loan in the amount of \$185,300 to be used for eligible expenses. Because no portion of the loan was forgiven as of June 30, 2020, the entire amount is recorded as a loan payable as of June 30, 2020. Any amounts subsequently forgiven will be recorded as revenue at that time, and any amounts not forgiven will bear an interest rate of 1% and have a maturity date of 2 years. Accrued interest as of June 30, 2020 totals \$309. Because the actual amount that will need to be repaid, and will therefore bear interest, cannot reasonably be determined, no accrued interest expense has been reported in these financials.

NOTE 11 – ECONOMIC INJURY DISASTER LOAN (EIDL) PAYABLE

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

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

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 11 – ECONOMIC INJURY DISASTER LOAN (EIDL) PAYABLE (continued)

The Organization received an EIDL of \$150,000 on June 19, 2020. The loan has an interest rate of 2.75% per annum and matures in 30 years on June 19, 2050. Payments are deferred for two years, though interest accrues from the date of inception. Monthly payments of \$641 will begin in June 2021. There is no prepayment penalty. The loan is secured by all tangible and intangible personal property, including, but not limited to, inventory, equipment, and financial instruments, including promissory notes and receivables. The loan balance as of June 30, 2020 was \$150,000.

Future scheduled maturities of the mortgage as of June 30, 2020 are:

Year ending June 30,	
2021	\$ -
2022	-
2023	3,382
2024	3,465
2025	3,573
Thereafter	<u>139,580</u>
	<u>\$150,000</u>

NOTE 12 – RESTRICTED NET ASSETS

All donor-restricted contributions are reported as increases in net assets with donor restrictions. Donor-restricted net assets fall into two categories: assets with time or purpose donor-imposed restrictions that are temporary in nature, and assets with donor restrictions that are perpetual in nature. Donor restrictions that are temporary in nature will be met by the actions of the Organization or the passage of time. Donor restrictions that are perpetual in nature require, per donor stipulation, that the donated funds or assets be maintained in perpetuity. When a restriction that is temporary in nature expires, net assets with donor restrictions are reclassified to net assets without donor restriction, and are reported in the Statements of Activities as net assets released from restrictions.

Net Assets Restricted by Time or Purpose	<u>2020</u>	<u>2019</u>
Unconditional promises to give with time restrictions, net	\$13,919	\$45,582
Contributions restricted by purpose	5,000	29,835
Accumulated earnings on donor restricted endowments	<u>6,567</u>	<u>13,727</u>
	<u>\$25,486</u>	<u>\$89,144</u>
 Net Assets Held in Perpetuity		
Restricted endowment funds	<u>\$99,210</u>	<u>\$99,210</u>

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 13 – OPERATING LEASES

The Organization rents two storage facilities under month-to-month rental agreements. The cost for these storage facilities is listed as Rent expense on the Statements of Functional Expenses. Total rent expense for the years ending June 30, 2020 and 2019 is \$5,368 and \$10,937, respectively.

The Organization executed an operating lease dated November 2017 for a copier with an initial term of 63 months. Monthly minimum payments are \$1,187 plus usage fees. Copier rental expense is included with Equipment costs on the Statements of Functional Expenses.

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

Total equipment rental costs for the years ended June 30, 2020 and 2019 were \$16,338 and \$17,106, respectively.

The minimum lease payments required under the above operating leases as of June 30, are as follows:

Year ending June 30,	
2021	\$14,908
2022	14,908
2023	<u>8,310</u>
	<u>\$38,126</u>

NOTE 14 – RETIREMENT PLAN

Until December 31, 2019, the Organization contributed to a Simple IRA plan on behalf of eligible employees that had been in effect since January 1, 2014. Employees became eligible for the plan on January 1 following the accumulation of at least \$5,000 in wages, contingent upon the expectation that the employee will accumulate at least an additional \$5,000 the following year. Contributions to the Simple IRA by eligible employees and the Organization were voluntary. The contribution percentage is determined by the Organization's board each year and cannot exceed 3% of compensation. During the periods ending June 30, 2020 and 2019, the Organization contributed \$2,596 and \$5,100, respectively, to this plan, which is included in employee benefits in the Statements of Functional Expenses.

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

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 15 – RELATED PARTY TRANSACTIONS

Total unconditional promises to give and other receivables from various board members and members of management total \$5,445 (10% of gross promises and other receivables) at June 30, 2020, and \$23,468 (30% of gross promises and other receivables) at June 30, 2019. The collection period is from one to five years. An allowance has been established in accordance with Organizations guidelines for all promises and receivables that may not ultimately be collectable.

NOTE 16 – AFFILIATED ENTITIES

The Organization is affiliated with both Big Brothers Big Sisters of America (BBBSA) and the Yavapai Big Brothers Big Sisters Foundation (YBBBSF). While the Organization has an economic interest in YBBBSF, it does not have control. Therefore, its operations are not consolidated in the financial statements of the Organization. The mission of YBBBSF is to assure the sustainability of YBBBS programs through the building of an endowment to support the Organization’s mission in future years.

For the years ended June 30, 2020 and 2019, the Organization received \$57,744 and \$30,490, respectively, from the YBBBSF.

The Organization pays an annual affiliation fee, a software subscription fee, and a technology license fee to BBBSA. Total paid to BBBSA for the years ending June 30, 2020 and 2019 was \$25,408 and \$19,851, respectively, and is included in Dues, licenses, and fees in the Statements of Functional Expenses.

During the year ended June 30, 2019, the Organization decided not to participate in a certain long-term study, and BBBSA assessed a \$12,000 cancellation fee. That fee is being paid to BBBSA at \$500 per month over a 2-year period. As of June 30, 2020 and 2019, the remaining amount due was \$5,500 and \$11,000, respectively.

NOTE 17 – CONCENTRATIONS

During the years ended June 30, 2020 and 2019, one donor accounted for 15.0% and 15.9% of total revenue, respectively.

Financial instruments that potentially subject the Organization to credit risk are Promises to Give and Investments. Promises to Give and other accounts receivable are concentrated with board members and members of management owing 11% and 30% of the total gross promises and other receivables for the years ended June 30, 2020 and 2019, respectively.

Investments are held in high quality institutions that are members of SIPC and guaranteed up to \$500,000. Management does not expect to incur losses.

NOTE 18 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization relies heavily on donations from key donors and board members, and on grants from affiliated entities. The current level of the Organization’s operations and program services may be severely impacted if funding from these sources is not continued or if new funding is not obtained. The Organization continuously seeks funding from existing and new donors, grantor agencies, and foundations, and pro-actively looks for expense-cutting opportunities.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 19 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the years ending June 30, 2020 and 2019 was \$4,847 and \$7,470, respectively.

NOTE 20 – REVENUE RECOGNITION

Contributions, in-kind contributions, and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give are not recorded until the conditions on which they depend have been substantially met. At June 30, 2020 and 2019, there were unconditional promises to give of \$32,940 and \$53,850, respectively. There were grants receivable of \$50,000 at June 30, 2020. There were no grants receivable at June 30, 2019.

Special event revenue is recognized at the time of the event. Amounts received in advance of an event are recorded as a deferred revenue liability until the event occurs, at which time they are recognized as revenue. At June 30, 2020 and 2019, deferred event revenue was \$6,500 and \$10,000, respectively.

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

Insurance proceeds are recognized when received.

Interest income is recognized when earned.

The following table provides information about significant changes in deferred revenue:

Deferred event revenue, June 30, 2018	\$9,455
Revenue recognized from	
Events the occurred during the fiscal year	(9,455)
Increase in deferred revenue due to	
Amounts paid in advance for events in the next fiscal year	<u>10,000</u>
Deferred event revenue, June 30, 2019	10,000
Revenue recognized from	
Events the occurred during the fiscal year	(10,000)
Increase in deferred revenue due to	
Amounts paid in advance for events in the next fiscal year	<u>6,500</u>
Deferred event revenue, June 30, 2020	<u>\$6,500</u>

NOTE 21 – IMPACT OF WORLD-WIDE PANDEMIC

As previously noted, in March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report.

YAVAPAI BIG BROTHERS BIG SISTERS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2020 and 2019

NOTE 21 – IMPACT OF WORLD-WIDE PANDEMIC (continued)

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

NOTE 22 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March 22, 2021, the date which the financial statements were available to be issued.

As previously noted, the COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases reported. Measures taken by various governments to contain the virus have affected economic activity. The United States and global markets have experienced significant fluctuations due to uncertainty caused by the world-wide coronavirus pandemic.

The extent to which the coronavirus pandemic may impact the Organization's operations, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be reasonably predicted.