

**BIG BROTHERS BIG SISTERS  
OF CENTRAL ARIZONA**

**CONSOLIDATED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2016**

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Big Brothers Big Sisters of Central Arizona, which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

Board of Directors  
Big Brothers Big Sisters of Central Arizona

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Central Arizona as of June 30, 2016, and the change in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the 2015 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Phoenix, Arizona  
November 15, 2016

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2016**  
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

|  | 2016         | 2015         |
|--|--------------|--------------|
| <b>ASSETS</b>  |              |              |
| <b>CURRENT ASSETS</b>  |              |              |
| Cash and Cash Equivalents  | \$ 559,213   | \$ 417,118   |
| Grants and Contributions Receivable                                      | 153,384      | 116,632      |
| Investments  | 402,851      | 408,641      |
| Prepaid Expenses and Other   | 53,757       | 63,730       |
| Due From an Affiliate  | 49,110       | 49,455       |
| Total Current Assets   | 1,218,315    | 1,055,576    |
| <b>PROPERTY AND EQUIPMENT, NET</b>                                       | 58,101       | 62,177       |
| <b>OTHER ASSETS</b>  |              |              |
| Investments  | 53,896       | 52,531       |
| Unemployment Trust Fund  | 26,097       | 24,701       |
| Other Assets   | 52,358       | 69,949       |
| Total Other Assets   | 132,351      | 147,181      |
| Total Assets   | \$ 1,408,767 | \$ 1,264,934 |
| <b>LIABILITIES AND NET ASSETS</b>  |              |              |
| <b>CURRENT LIABILITIES</b>   |              |              |
| Accounts Payable   | \$ 4,391     | \$ 6,639     |
| Accrued Expenses   | 130,397      | 120,830      |
| Current Maturities of Deferred Rent                                      | 5,243        | -            |
| Current Maturities of Obligations Under Capital Leases                   | 5,284        | 7,319        |
| Total Current Liabilities  | 145,315      | 134,788      |
| <b>LONG-TERM LIABILITIES</b>   |              |              |
| Deferred Rent, Less Current Maturities                                   | 85,436       | -            |
| Long-Term Obligations Under Capital Leases,<br>Net of Current Maturities | -            | 5,284        |
| Total Long-Term Liabilities  | 85,436       | 5,284        |
| Total Liabilities  | 230,751      | 140,072      |
| <b>NET ASSETS</b>  |              |              |
| Unrestricted   | 873,263      | 824,637      |
| Temporarily Restricted   | 204,753      | 200,225      |
| Permanently Restricted   | 100,000      | 100,000      |
| Total Net Assets   | 1,178,016    | 1,124,862    |
| Total Liabilities and Net Assets   | \$ 1,408,767 | \$ 1,264,934 |

See accompanying Notes to Consolidated Financial Statements.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA**  
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2016**  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

|  | 2016              |                           |                           | 2015                |                     |
|--|-------------------|---------------------------|---------------------------|---------------------|---------------------|
|  | Unrestricted      | Temporarily<br>Restricted | Permanently<br>Restricted | Totals              | Totals              |
| <b>PUBLIC SUPPORT AND REVENUES</b>                         |                   |                           |                           |                     |                     |
| Public Support:  |                   |                           |                           |                     |                     |
| Contributions  | \$ 225,828        | \$ 70,730                 | \$ -                      | \$ 296,558          | \$ 269,256          |
| In-Kind Contributions                                      | 208,182           | 17,477                    | -                         | 225,659             | 246,057             |
| United Way   | -                 | 410,000                   | -                         | 410,000             | 420,000             |
| Big Brothers Big Sisters of<br>Central Arizona Association | 485,670           | -                         | -                         | 485,670             | 412,669             |
| Grants and Contracts                                       | 70,730            | 462,390                   | -                         | 533,120             | 309,277             |
| Total Public Support                                       | <u>990,410</u>    | <u>960,597</u>            | <u>-</u>                  | <u>1,951,007</u>    | <u>1,657,259</u>    |
| Revenues:  |                   |                           |                           |                     |                     |
| Interest Income  | 7,273             | -                         | -                         | 7,273               | 7,719               |
| Unrealized Gain (Loss) on Investments                      | (29,188)          | -                         | -                         | (29,188)            | (2,765)             |
| Dividend Income  | 17,523            | -                         | -                         | 17,523              | 22,589              |
| Other  | 35,619            | -                         | -                         | 35,619              | 12,894              |
| Total Revenues   | <u>31,227</u>     | <u>-</u>                  | <u>-</u>                  | <u>31,227</u>       | <u>40,437</u>       |
| Special Events:  |                   |                           |                           |                     |                     |
| Revenue from Special Events                                | 542,036           | -                         | -                         | 542,036             | 527,300             |
| Less Costs of Direct Donor Benefits                        | (43,032)          | -                         | -                         | (43,032)            | (105,141)           |
| Gross Profit on Special Events                             | <u>499,004</u>    | <u>-</u>                  | <u>-</u>                  | <u>499,004</u>      | <u>422,159</u>      |
| Net Assets Released from Restrictions                      | <u>956,069</u>    | <u>(956,069)</u>          | <u>-</u>                  | <u>-</u>            | <u>-</u>            |
| Total Public Support, Revenues and Special Events          | <u>2,476,710</u>  | <u>4,528</u>              | <u>-</u>                  | <u>2,481,238</u>    | <u>2,119,855</u>    |
| <b>EXPENSES</b>  |                   |                           |                           |                     |                     |
| Mentoring Program  | 1,922,631         | -                         | -                         | 1,922,631           | 1,825,000           |
| Management and General                                     | 154,927           | -                         | -                         | 154,927             | 150,562             |
| Fundraising  | 350,526           | -                         | -                         | 350,526             | 382,656             |
| Total Expenses   | <u>2,428,084</u>  | <u>-</u>                  | <u>-</u>                  | <u>2,428,084</u>    | <u>2,358,218</u>    |
| <b>CHANGES IN NET ASSETS</b>                               | 48,626            | 4,528                     | -                         | 53,154              | (238,363)           |
| Net Assets - Beginning of Year                             | <u>824,637</u>    | <u>200,225</u>            | <u>100,000</u>            | <u>1,124,862</u>    | <u>1,363,225</u>    |
| <b>NET ASSETS - END OF YEAR</b>                            | <u>\$ 873,263</u> | <u>\$ 204,753</u>         | <u>\$ 100,000</u>         | <u>\$ 1,178,016</u> | <u>\$ 1,124,862</u> |

See accompanying Notes to Consolidated Financial Statements.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**  
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

|                                  | 2016                 |                           |                   | 2015                            |                     |
|----------------------------------|----------------------|---------------------------|-------------------|---------------------------------|---------------------|
|                                  | Mentoring<br>Program | Management<br>and General | Fundraising       | Total<br>Functional<br>Expenses | Total               |
| Salaries and Wages               | \$ 1,183,316         | \$ 91,976                 | \$ 157,351        | \$ 1,432,643                    | \$ 1,365,556        |
| Employee Benefits                | 87,271               | 6,912                     | 21,552            | 115,735                         | 86,257              |
| Employer Taxes                   | 105,155              | 8,769                     | 13,339            | 127,263                         | 142,214             |
| Professional and Contract Fees   | 108,804              | 19,943                    | 69,822            | 198,569                         | 224,606             |
| Supplies                         | 5,555                | 1,504                     | 1,227             | 8,286                           | 13,120              |
| Telephone and Communications     | 28,995               | 977                       | 2,236             | 32,208                          | 28,868              |
| Postage and Shipping             | 3,185                | 232                       | 2,335             | 5,752                           | 3,710               |
| Occupancy                        | 127,908              | 9,681                     | 11,239            | 148,828                         | 169,658             |
| Equipment                        | 14,288               | 1,075                     | 1,427             | 16,790                          | 21,137              |
| Printing and Publications        | 228                  | 173                       | 2,792             | 3,193                           | 4,197               |
| Travel and Mileage               | 26,730               | 2,810                     | 6,600             | 36,140                          | 25,579              |
| Conferences and Meetings         | 345                  | 1,521                     | 3,729             | 5,595                           | 9,837               |
| Program Support                  | 168,892              | -                         | 27,927            | 196,819                         | 153,488             |
| Recruitment and Public Relations | 3,165                | 2,752                     | 5,865             | 11,782                          | 16,993              |
| Dues and Subscriptions           | 11,909               | 62                        | 4,010             | 15,981                          | 16,349              |
| License and Fees                 | 4,584                | 2,476                     | 15,296            | 22,356                          | 23,464              |
| Insurance                        | 23,652               | 1,683                     | 2,064             | 27,399                          | 21,757              |
| Interest                         | 766                  | 1,023                     | 72                | 1,861                           | 1,565               |
| Depreciation                     | 17,883               | 1,358                     | 1,643             | 20,884                          | 21,493              |
| Bad Debts                        | -                    | -                         | -                 | -                               | 8,370               |
| <b>Total Functional Expenses</b> | <b>\$ 1,922,631</b>  | <b>\$ 154,927</b>         | <b>\$ 350,526</b> | <b>\$ 2,428,084</b>             | <b>\$ 2,358,218</b> |

See accompanying Notes to Consolidated Financial Statements.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2016**  
(WITH COMPARITIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015)

|   | 2016       | 2015         |
|---|------------|--------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |            |              |
| Changes in Net Assets   | \$ 53,154  | \$ (238,363) |
| Adjustments to Reconcile Changes in Net Assets to Net Cash Provided (Used) by Operating Activities: |            |              |
| Depreciation  | 20,884     | 21,493       |
| Bad Debts   | -          | 8,370        |
| Unrealized Loss on Investments  | 29,188     | 2,765        |
| Donated Property  | (7,655)    | (15,000)     |
| Increase (Decrease) in Cash Resulting from Changes in:  |            |              |
| Grants and Contributions Receivable   | (36,752)   | 127,147      |
| Prepaid Expenses and Other  | 27,564     | (13,521)     |
| Due From an Affiliate   | 345        | (12,784)     |
| Unemployment Trust Fund   | (1,396)    | 17,111       |
| Accounts Payable  | (2,248)    | (3,336)      |
| Deferred Rent   | 90,679     | -            |
| Accrued Expenses  | 9,567      | 10,330       |
| Net Cash Provided (Used) by Operating Activities  | 183,330    | (95,788)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |            |              |
| Purchases of Property and Equipment   | (9,153)    | (23,489)     |
| Purchases of Investments  | (24,763)   | (28,789)     |
| Proceeds from Sale of Investments   | -          | 100,000      |
| Net Cash Provided (Used) by Investing Activities  | (33,916)   | 47,722       |
| <b>CASH FLOWS USED IN FINANCING ACTIVITIES</b>  |            |              |
| Payments on Capital Lease Obligations   | (7,319)    | (6,650)      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>   | 142,095    | (54,716)     |
| Cash and Cash Equivalents - Beginning of Year   | 417,118    | 471,834      |
| <b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>  | \$ 559,213 | \$ 417,118   |
| <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>   |            |              |
| Cash Paid for Interest  | \$ 1,861   | \$ 1,565     |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>                        |            |              |
| Donated Property  | \$ 7,655   | \$ 15,000    |

See accompanying Notes to Consolidated Financial Statements.



**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

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

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

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

**Basis of Consolidation**

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

**Basis of Presentation**

The Agency's consolidated financial statements have been prepared in accordance with the American institute of Certified Public Accountants (AICPA) Not-For-Profit Industry Guidance within the Financial Accounting Standards Board (FASB) Codification (Guidance). Under the Guidance, the Agency is required to provide financial statements which are prepared to focus on the organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as follows:

**Unrestricted Net Assets**

Unrestricted net assets include all assets for which there are no donor-imposed restrictions and those for which the restrictions have been met in the same accounting period.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets include all assets restricted by the donor for a particular purpose or time period.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (Continued)**

**Permanently Restricted Net Assets**

Permanently restricted net assets include assets restricted by the donor that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Agency. Generally, the donor allows the Agency to use the earnings on permanently restricted net assets for operations.

**Prior Year Summarized Information**

The consolidated financial statements include prior year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

**Use of Estimates in the Preparation of Financial Statements**

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

**Contributions**

Under the Guidance, contributions, grants, and bequests including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions of services are recognized at their fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

**Cash and Cash Equivalents**

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

**Investments**

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair value in the consolidated statement of financial position. Investment income (including interest and dividends) and unrealized gains and losses are reported in the consolidated statement of activities and changes in net assets. Long-term investments represent investments of the Foundation that are not available for operations of BBBS.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and Contributions Receivable**

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

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

Management believes that all grants and contributions receivable at June 30, 2016 are fully collectible.

**Property and Equipment**

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

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

**Impairment of Long-Lived Assets**

The Agency reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future undiscounted net cash flows which the assets are expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. There were no such impairments of long-lived assets as of June 30, 2016.

**Revenue Recognition**

Revenue from exchange type contracts are recognized as the related qualifying expenditures are incurred.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Donated Services**

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

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

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

**Special Events Revenue**

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

**Functional Expenses Classifications**

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

**Income Taxes**

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

Management believes that the Agency has no uncertain tax positions as of June 30, 2016.

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 GRANTS AND CONTRIBUTIONS RECEIVABLE**

Grants and contributions receivable are stated as the amount management expects to collect. All receivables are due within one year. There was no allowance for uncollectible accounts as of June 30, 2016.

**NOTE 3 PROPERTY AND EQUIPMENT**

At June 30, 2016, property and equipment were as follows:

|  |    |           |
|--|----|-----------|
| Equipment  | \$ | 151,268   |
| Vehicles   |    | 25,965    |
| Total  |    | 177,233   |
| Less Accumulated Depreciation                              |    | (119,132) |
| Property and Equipment, Net of Accumulated<br>Depreciation | \$ | 58,101    |

Depreciation charged to operations was \$20,884 for the year ended June 30, 2016.

**NOTE 4 INVESTMENTS**

At June 30, 2016, investments were as follows:

|              | Cost       | Fair Value |
|--------------|------------|------------|
| Mutual Funds | \$ 392,303 | \$ 456,747 |

The unrealized losses on investments were \$29,188 for the year end June 30, 2016.

**NOTE 5 FAIR VALUE MEASUREMENTS**

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

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

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)**

*Level 2* – Inputs to the valuation methodology include:

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

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds:* Valued at the net asset value (NAV) of shares held by the Agency at year-end.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Agency believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth, by level, within the fair value hierarchy, certain assets and liabilities measured at fair value as of June 30, 2016:

|                            | Level 1    | Level 2 | Level 3 | Total      |
|----------------------------|------------|---------|---------|------------|
| Mutual Funds - Large Blend | \$ 456,747 | \$ -    | \$ -    | \$ 456,747 |

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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**NOTE 6 LEASE AND RENTAL COMMITMENTS**

The Agency is committed under various operating leases for office space. Rent expense was approximately \$149,000 during the year ended June 30, 2016. The Association shares space with the Agency and was allocated rent expense of approximately \$42,000 for 2016.

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

|                                     |            |           |                |
|-------------------------------------|------------|-----------|----------------|
|                                     | 2017       | \$        | 163,624        |
|                                     | 2018       |           | 155,166        |
|                                     | 2019       |           | 154,008        |
|                                     | 2020       |           | 157,916        |
|                                     | 2021       |           | 161,837        |
|                                     | Thereafter |           | 82,181         |
| Total Future Minimum Lease Payments |            | <u>\$</u> | <u>874,732</u> |

**NOTE 7 LINE OF CREDIT**

The Agency has a \$25,000 line of credit available with interest at the prime rate, or the floor rate of 4.50%. The line of credit was renewed to December 5, 2016 and is secured by the assets of the Foundation. The line of credit was not utilized during fiscal 2016, and had no outstanding balance as of June 30, 2016.

**NOTE 8 CAPITAL LEASE OBLIGATIONS**

Equipment held under capital lease obligations had a cost of \$21,261 at June 30, 2016. Accumulated depreciation associated with this equipment was \$9,922 as of June 30, 2016.

Capital leases obligations are as follows:

|   |           |          |
|---|-----------|----------|
| Telephone Equipment payable in monthly installments of \$685, including interest at 9.63%, through February 2017, secured by the equipment. | \$        | 5,284    |
| Less Current Maturities   |           | (5,284)  |
| Long-Term Maturities of Capital Lease Obligations   | <u>\$</u> | <u>-</u> |

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
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**NOTE 8 CAPITAL LEASE OBLIGATIONS (CONTINUED)**

Future minimum payments under these commitments are as follows:

|   |                 |
|---|-----------------|
| 2017                                    | \$ 5,480        |
| Total Minimum Lease Payments            | 5,480           |
| Less Amount Representing Interest       | (196)           |
| Present Value of Minimum Lease Payments | <u>\$ 5,284</u> |

Interest expense associated with the capital leases totaled \$1,860 during the year ended June 30, 2016.

**NOTE 9 SPECIAL EVENTS REVENUE**

Special events revenue is comprised of the following for the year ended June 30, 2016:

|                          |                   |
|--------------------------|-------------------|
| Bowl for Kids Sake       | \$ 140,916        |
| Annual Fund Raising Gala | 131,933           |
| Other Events             | 269,187           |
| Total                    | <u>\$ 542,036</u> |

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

**NOTE 10 IN-KIND CONTRIBUTIONS**

The Agency received the following in-kind contributions for the year ended June 30, 2016:

|   |                   |
|---|-------------------|
| Program:                                      |                   |
| Donated Tickets and Other                     | \$ 161,971        |
| Professional Services                         | 47,936            |
| Management and General                        |                   |
| Professional Services                         | 3,075             |
| Fundraising                                   |                   |
| Professional Services                         | 5,022             |
| Total Program and Supported Services Expenses | <u>218,004</u>    |
| Donated Property and Equipment (Asset)        | 7,655             |
| Total   | <u>\$ 225,659</u> |



**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
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**NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of gifts with time and purpose restrictions in the amount of \$204,753 as of June 30, 2016. Of the temporarily restricted net assets as of June 30, 2016, \$17,477 and \$187,276 consist of gifts with time and purpose restrictions, respectively.

The net assets released from restrictions during the year ended June 30, 2016 related to time and purpose restrictions. Of the net assets released from restrictions during the year ended June 30, 2016, \$444,599 and \$511,470 related to time and purpose restrictions, respectively.

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

**Interpretation of Relevant Law**

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

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

The remaining portion of the donor-restricted endowment fund not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Agency's Board. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
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**NOTE 11 TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)**

**Return Objectives and Risk Parameters**

The Agency has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to the programs supported by the endowments. The endowment assets are invested in a manner that is intended to produce results similar to the S&P 500 Index while assuming a moderate level of investment risk.

Endowment net asset composition by type of fund as of June 30, 2016:

|                                     | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u> |
|-------------------------------------|---------------------|-----------------------------------|-----------------------------------|--------------|
| Donor Restricted<br>Endowment Funds | \$ -                | \$ 5,443                          | \$ 100,000                        | \$ 105,443   |

Changes in endowment net assets for the fiscal year ended June 30, 2016:

|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>      |
|--|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment Net Assets,<br>Beginning of Year | \$ -                | \$ 8,220                          | \$ 100,000                        | \$ 108,220        |
| Expenditures                               | -                   | (2,809)                           | -                                 | (2,809)           |
| Interest Income                            | -                   | 32                                | -                                 | 32                |
| Endowment Net Assets,<br>End of Year       | <u>\$ -</u>         | <u>\$ 5,443</u>                   | <u>\$ 100,000</u>                 | <u>\$ 105,443</u> |

**NOTE 12 RELATED-PARTY TRANSACTIONS**

The Agency recorded the following transactions with the Association for the year ended June 30, 2016:

|   |                  |
|---|------------------|
| Due from an affiliate - Beginning of Year | \$ 49,455        |
| Support from the Association              | 485,670          |
| Salaries and Benefits                     | 34,863           |
| Other                                     | 87,054           |
| Total                                     | <u>657,042</u>   |
| Payments from Affiliate                   | <u>(607,932)</u> |
| Due from an Affiliate - End of Year       | <u>\$ 49,110</u> |

**BIG BROTHERS BIG SISTERS OF CENTRAL ARIZONA  
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**NOTE 13 MAJOR REVENUE SOURCES**

Revenue derived from the Association represented approximately 20% of total public support, revenue and special events during the year ended June 30, 2016.

Contributions from Valley of the Sun United Way represented approximately 17% of total public support, revenue, and special events during the year ended June 30, 2016.

**NOTE 14 RETIREMENT PLAN**

The Agency maintains a defined contribution retirement plan (the Plan) for its employees established under IRC Section 403(b). The Plan covers essentially all management and exempt employees, exclusive of those employees who have elected not to participate. The Agency makes contributions to the Plan at the discretion of the Board of Directors. The Agency contributions to the Plan approximated \$2,747 for the year ended June 30, 2016.

**NOTE 15 CONTINGENCY**

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

**NOTE 16 CONCENTRATION OF CREDIT RISKS**

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

**NOTE 17 SUBSEQUENT EVENTS**

Management evaluated subsequent events through November 15, 2016, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2016, but prior to November 15, 2016, that provided additional evidence about conditions that existed at June 30, 2016, have been recognized in the consolidated financial statements for the year ended June 30, 2016. Events or transactions that provided evidence about conditions that did not exist at June 30, 2016, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2016.