BIG BROTHERS BIG SISTERS OF TUCSON, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

RCM
REGIER CARR & MONROE, LLP, CPAs

BIG BROTHERS BIG SISTERS OF TUCSON, INC.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Big Brothers Big Sisters of Tucson, Inc.
Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Big Brothers Big Sisters of Tucson, Inc. ("BBBS") (an Arizona nonprofit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, cash flows, and functional expenses 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for both 2017 and 2016. For the year ended December 31, 2017 we also conducted our audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

(continued)

4801 E. BROADWAY BLVD. STE. 501 TUCSON, AZ 85711-3648 RCMTUCSON.COM P 520-624-8229 F 520-884-1102 REGIER CARR & MONROE LLP, CPAs TUCSON I TULSA/McALESTER I WICHITA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Tucson, Inc. as of December 31, 2017 and 2016, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2018, on our consideration of Big Brothers Big Sisters of Tucson, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Big Brothers Big Sisters of Tucson, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Big Brothers Big Sisters of Tucson, Inc.'s internal control over financial reporting and compliance.

Regier Carr & Monroe, L.L.P.

May 31, 2018
Tucson, Arizona

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

ASSETS

	2017	2016
Cash and cash equivalents	$ 404,011	$ 297,645
Certificates of deposit	75,600	75,449
Accounts receivable	35,496	7,038
Contributions receivable	-	129,801
Prepaid expenses and other current assets	21,890	22,396
Beneficial interest in funds held by others	20,388	17,890
Property and equipment, net	974,771	1,019,242
Land held for investment	2,500	2,500
Total assets	$ 1,534,656	$ 1,571,961

LIABILITIES AND NET ASSETS

	2017	2016
LIABILITIES		
Accounts payable	$ 12,113	$ 8,280
Accrued expenses	23,310	21,021
Deferred revenue	5,000	-
Mortgage note payable	115,241	130,367
Total liabilities	155,664	159,668
NET ASSETS		
Unrestricted		
Available for operations	325,783	313,028
Board-designated quasi-endowment	20,388	17,890
Board-designated reserve fund	100,000	100,000
Expended for property and equipment	859,530	888,875
Total unrestricted	1,305,701	1,319,793
Temporarily restricted	73,291	92,500
Total net assets	1,378,992	1,412,293
Total liabilities and net assets	$ 1,534,656	$ 1,571,961

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Government grants and contracts	$ 16,938	$ -	$ 16,938
Special events, net of $104,395 direct donor benefit costs	242,754	-	242,754
Contributions	499,657	50,000	549,657
Contributions - donation center	109,506	-	109,506
Bequest income	43,718	-	43,718
In-kind contributions	1,230	-	1,230
Rental income - donation center	23,637	-	23,637
Other revenue	1,929	-	1,929
Investment income	3,143	-	3,143
	942,512	50,000	992,512
Net assets released from restriction	69,209	(69,209)	-
Total support and revenue	1,011,721	(19,209)	992,512
EXPENSES			
Program services	860,456	-	860,456
Management and general	83,958	-	83,958
Fundraising	81,399	-	81,399
Total expenses	1,025,813	-	1,025,813
CHANGE IN NET ASSETS	(14,092)	(19,209)	(33,301)
NET ASSETS, BEGINNING OF YEAR	1,319,793	92,500	1,412,293
NET ASSETS, END OF YEAR	$ 1,305,701	$ 73,291	$ 1,378,992

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2016

	Unrestricted	Temporarily restricted	Totals
SUPPORT AND REVENUE			
Government grants and contracts	$ 38,652	$ -	$ 38,652
Other grants	-	142,500	142,500
Special events, net of $25,970 direct donor benefit costs	429,410	-	429,410
Contributions	414,579	-	414,579
Contribution - donation center	103,388	-	103,388
In-kind contributions	2,017	-	2,017
Rental income - donation center	23,634	-	23,634
Other revenue	20	-	20
Investment income	1,836	-	1,836
	1,013,536	142,500	1,156,036
Net assets released from restriction	60,000	(60,000)	-
Total support and revenue	1,073,536	82,500	1,156,036
EXPENSES			
Program services	821,191	-	821,191
Management and general	76,517	-	76,517
Fundraising	156,992	-	156,992
Total expenses	1,054,700	-	1,054,700
CHANGE IN NET ASSETS	18,836	82,500	101,336
NET ASSETS, BEGINNING OF YEAR	1,300,957	10,000	1,310,957
NET ASSETS, END OF YEAR	$ 1,319,793	$ 92,500	1,412,293

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program services	Management and general	Fundraising	Totals
Salaries	$ 420,757	$ 59,566	$ 54,705	$ 535,028
Payroll taxes and employee benefits	81,715	8,410	8,057	98,182
	502,472	67,976	62,762	633,210
Communications	6,452	344	344	7,140
Depreciation	40,023	2,224	2,224	44,471
Facilities and occupancy	37,208	1,876	1,879	40,963
Insurance	22,733	190	190	23,113
Operations and office expenses	45,343	2,528	7,865	55,736
Payments to affiliated organizations	13,610	189	189	13,988
Professional development	18,162	3,394	709	22,265
Professional fees and contract services	89,146	4,953	4,953	99,052
Program expenses	79,739	-	-	79,739
Small equipment	5,568	284	284	6,136
Special event expenses	-	-	104,395	104,395
Total functional expenses	860,456	83,958	185,794	1,130,208
Less direct donor benefit costs netted against revenues	-	-	(104,395)	(104,395)
Total expenses	$ 860,456	$ 83,958	$ 81,399	$ 1,025,813

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2016

	Program services	Management and general	Fundraising	Totals
Salaries	$ 383,046	$ 45,117	$ 51,400	$ 479,563
Payroll taxes and employee benefits	69,277	7,794	9,525	86,596
	452,323	52,911	60,925	566,159
Bad debt	-	-	1,550	1,550
Communications	5,779	650	795	7,224
Depreciation	38,360	4,316	5,274	47,950
Facilities and occupancy	37,773	4,249	5,194	47,216
Insurance	19,162	1,065	1,065	21,292
Operations and office expenses	42,522	3,805	4,650	50,977
Payments to affiliated organizations	11,002	1,238	1,513	13,753
Professional development	12,878	1,449	1,771	16,098
Professional fees and contract services	55,911	6,290	7,688	69,889
Program expenses	128,244	-	-	128,244
Small equipment	4,832	544	664	6,040
Special event expenses	12,405	-	91,873	104,278
Total functional expenses	821,191	76,517	182,962	1,080,670
Less direct donor benefit costs netted against revenues	-	-	(25,970)	(25,970)
Total expenses	$ 821,191	$ 76,517	$ 156,992	$ 1,054,700

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (33,301)	$ 101,336
Adjustments to reconcile change in net assets to net cash from operating activities:		
Change in value of beneficial interest in funds held by others	(2,498)	(969)
Interest from certificates of deposit	(151)	-
Depreciation	44,471	47,950
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(28,458)	4,545
Contributions receivable	129,801	(113,181)
Prepaid expenses and other current assets	506	5,722
Accounts payable	3,833	(1,407)
Accrued expenses	2,289	(6,262)
Deferred revenue	5,000	-
Net cash provided by operating activities	121,492	37,734
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of certificates of deposit	-	(75,449)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on note payable	(15,126)	(14,347)
CHANGE IN CASH AND CASH EQUIVALENTS	106,366	(52,062)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	297,645	349,707
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 404,011	$ 297,645
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 6,291	$ 7,013

The Notes to Financial Statements are an integral part of these statements

BIG BROTHERS BIG SISTERS OF TUCSON, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Big Brothers Big Sisters of Tucson, Inc. ("BBBS") was formed as a result of the merger of Big Brothers of Tucson and Big Sisters of Tucson in 1981. BBBS is an agency member of Big Brothers/Big Sisters of America and serves the communities of Southern Arizona. The mission of BBBS is to develop one-to-one stable and consistent mentor relationships guiding youth from a position of risk to one of achieving their highest potential.

Financial Statement Presentation

Under U.S. generally accepted accounting principles (U.S. GAAP), BBBS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted net assets are those not subject to donor-imposed stipulations and are available for use in operations.
- Temporarily restricted net assets are those subject to donor-imposed stipulations that will be met by expenditure or the passage of time. Revenue received in one fiscal year for use that extends beyond the year of contribution will be classified as temporarily restricted net assets until donor-imposed stipulations are met. Temporarily restricted net assets received and expended in the same fiscal year are classified as unrestricted.
- Permanently restricted net assets represent permanent endowments where the donors have stipulated that the principal be held in perpetuity with the income only available for expenditures

At December 31, 2017 and 2016, BBBS had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

BBBS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. BBBS maintains its cash in investment brokerage accounts and in bank deposit accounts which may, from time to time, exceed federally insured limits. At December 31, 2017, all of BBBS's cash holdings were fully insured.

Accounts and Contributions Receivable

Contributions receivable are stated at unpaid balances BBBS expects to collect from grantors and contributors within one year. Management believes all receivables are fully collectible and accordingly has recorded no valuation allowance. It is BBBS policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected.

During the year ended December 31, 2016, BBBS was selected by the New Centurions to be the recipient of funding from the New Centurions' special events in 2016, 2017, and 2018. BBBS has to perform certain activities in support of the special events and will receive a total of $207,500 over the three-year period. During 2016, BBBS received $105,000, and in 2017, BBBS received the 2017 and 2018 amounts, for a total of $102,500. The amount received in 2017 was included in the 2016 balance of contributions receivable in the statements of net position. The receivable was not discounted to net present value because the amount of the discount would not be material.

Property and Equipment

Property and equipment acquisitions over $5,000 with a useful life of more than one year are capitalized at cost, when purchased or at estimated fair market value at date of gift, when donated. Depreciation is recorded over the estimated useful lives of the related assets using the straight-line method. The cost of repairs and maintenance and all other equipment purchases are charged to expense in the year incurred.

Advertising Expense

Advertising costs are expensed as incurred. Advertising costs are included in Program Expenses on the statements of functional expenses, and were $14,466 and $41,536 for the years ended December 31, 2017 and 2016, respectively.

Recognition of Donor Restrictions

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is received. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition of Donor Restrictions (continued)

Under U. S. GAAP, contributions or pledges that are received with time and/or purpose restrictions are recorded as revenue in the year the contribution or pledge is received, even though the restriction will be met in a future period. Due to this prescribed revenue treatment, BBBS may appear to operate in a deficit position in subsequent years, as the contributions or pledges previously received are released from temporarily restricted net assets for use to fulfill their intended purpose.

Donated Goods, Facilities and Services

Donated goods and space are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.

- The services would typically need to be purchased if not donated.

Although BBBS utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

Income Tax Status

BBBS is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to BBBS's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, BBBS qualifies for the charitable contribution deduction under Section 170(b)(l)(A) and has been classified as an organization other than a private foundation under Section 509(a)(l).

BBBS has not identified any uncertain tax positions that require reporting under U.S. generally accepted accounting principles. BBBS would recognize interest related to any such uncertainties in interest expense and penalties in operating expenses. During the years ended December 31, 2017 and 2016, BBBS recognized no such interest or penalties. No audits are in progress by either the federal or state authorities.

Functional Expenses and Special Event Expenses

The costs of providing the various program services and supporting activities of BBBS have been summarized on a functional basis in the statement of activities and presented in full in the statement functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefitted.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special event expenses on the statement of functional expenses include direct donor benefit costs, supplies, professional services and printing and postage costs related to special events.

Recent Accounting Pronouncements

- Revenue Recognition

  In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that will supersede the current revenue recognition requirements. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The original implementation effective date was deferred upon the issuance of ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. The new guidance will be effective for BBBS's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. BBBS has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

- Leases

  In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), that will supersede the current lease requirements. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the consolidated balance sheet. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for BBBS's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Non-Profit Organizations

  In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 948), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending December 31, 2019. The significant changes are:

  - Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”

  - All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative and fund raising).

  - Enhanced disclosure requirements related to presenting liquidity information and simplification of existing disclosure requirements related to investment returns and long-lived assets purchased with donor-restricted funds.

  BBBS has not yet determined the effect of applying the remaining requirements of the new standard on the financial statements.

2. BENEFICIAL INTEREST IN FUNDS HELD BY OTHERS

In 1990, BBBS transferred $14,586 to the Community Foundation for Southern Arizona (“CFSA”) to establish the Gerald Ferro Memorial Fund for Big Brothers Big Sisters of Tucson, Inc. CFSA, an Arizona non-profit corporation, holds and administers the endowment fund (including subsequent contributions and future earnings) for the benefit of BBBS. The agency fund agreement provides that CFSA shall have the power to modify any restriction or condition on distributions from the Fund for any specific charitable purposes or to specific organizations, if in the sole judgement of CFSA the restriction or condition becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs served by CFSA.

BBBS is entitled to receive up to semi-annual distributions from the Fund as determined by CFSA, or BBBS can opt to reinvest the distribution by leaving it in the Fund. CFSA has the ultimate authority over and control of all property in the Fund and all distributions from the Fund. The balance of the Fund was $20,388 and $17,890 at December 31, 2017 and 2016, respectively.

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3. PROPERTY

Property and equipment at December 31, 2017 and December 31, 2016 consisted of the following:

	2017	2016
Land	$ 50,000	$ 50,000
Building	1,468,106	1,468,106
Furniture, fixtures, and equipment	92,991	92,991
	1,611,097	1,611,097
Less accumulated depreciation	(636,326)	(591,855)
Total	$ 974,771	$ 1,019,242

4. MORTGAGE NOTE PAYABLE

In March 2015, BBBS obtained a mortgage loan. The principal amount of the mortgage loan was $155,000 with monthly payments of $1,063 of principal and interest at 4.99% per annum until maturing in February 2024, with a balloon payment due of the unpaid principal. The mortgage is collateralized by real property. Future principal payments on the mortgage note payable are as follows:

Year ending December 31,	Amount
2018	$ 7,424
2019	7,549
2020	7,934
2021	8,339
2022	8,765
Thereafter	75,230
Total	$ 115,241

5. FAIR VALUE MEASUREMENTS AND INVESTMENT INCOME

Fair value measurements are determined based on the assumptions (referred to as inputs) that market participants would use in pricing the asset. The fair value hierarchy distinguishes between market participant assumptions and BBBS's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are BBBS's own assumptions about what market participants would assume based on the best information available in the circumstances.

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5. FAIR VALUE MEASUREMENTS AND INVESTMENT INCOME (continued)

Level 1 inputs. A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value. The fair value of BBBS's publicly traded securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions.

Level 2 inputs. These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. BBBS does not utilize Level 2 inputs.

Level 3 inputs. These inputs are unobservable and are used to measure fair value only when observable inputs are not available. BBBS' land held for investment is valued utilizing Level 3 inputs, including market value information from county property tax statements. BBBS has established a beneficial interest in board-designated quasi-endowment funds held at the Community Foundation for Southern Arizona (CFSA). CFSA does not have variance power related to this endowment. This beneficial interest is considered as valued based on Level 3 inputs, as BBBS owns units of pooled funds held at CFSA and relies on CFSA to provide the value of these funds. At CFSA, these pooled investments are primarily held in marketable securities and are considered to be valued based on Level 1 inputs.

Fair values of assets measured on a recurring basis at December 31, 2017 were as follows:

	Level 3	Total
Beneficial interest in funds held at CFSA	$ 20,388	$ 20,388
Land held for investment	2,500	2,500
Total	$ 22,888	$ 22,888

Fair values of assets measured on a recurring basis at December 31, 2016 were as follows:

	Level 3	Total
Beneficial interest in funds held at CFSA	$ 17,890	$ 17,890
Land held for investment	2,500	2,500
Total	$ 20,390	$ 20,390

(continued)

5. FAIR VALUE MEASUREMENTS AND INVESTMENT INCOME (continued)

Activity related to assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows for the year ended December 31, 2017:

	Beginning balance	Change in value	Distributions	Ending balance
Beneficial interest in funds held at CFSA	$ 17,890	$ 2,498	$ -	$ 20,388
Land held for investment	2,500	-	-	2,500
Total	$ 20,390	$ 2,498	$ -	$ 20,390

Activity related to assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows for the year ended December 31, 2016:

	Beginning balance	Change in value	Distributions	Ending balance
Beneficial interest in funds held at CFSA	$ 16,921	$ 969	$ -	$ 17,890
Land held for investment	2,500	-	-	2,500
Total	$ 19,421	$ 969	$ -	$ 20,390

Investment income (loss) for the years ended December 31, 2017 and 2016 was as follows:

	2017	2016
Interest and dividend income	$ 894	$ 1,082
Realized (losses): Beneficial interest in funds at CFSA	(249)	(215)
Change in value of:		
Beneficial interest in funds at CFSA	2,498	969
Total	$ 3,143	$ 1,836

(continued)

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net asset activity was as follows for the year ended December 31, 2017:

	Beginning balance	Contri-butions	Releases	Ending balance
iMentor program implementation	$ 92,500	$ -	$ (47,773)	$ 44,727
Marketing	-	50,000	(21,436)	28,564
Total	$ 92,500	$ 50,000	$ (69,209)	$ 73,291

Temporarily restricted net asset activity was as follows for the year ended December 31, 2016:

	Beginning balance	Contri-butions	Releases	Ending balance
iMentor program implementation	$ -	$ 142,500	$ (50,000)	$ 92,500
Bowling for Kids' Sake event	10,000	-	(10,000)	-
Total	$ 10,000	$ 142,500	$ (60,000)	$ 92,500

7. IN-KIND CONTRIBUTIONS

In-kind contributions consisted of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Facilities and occupancy	$ -	$ 2,017
Special event	1,230	-
Total	$ 1,230	$ 2,017

(continued)

8. OPERATING LEASES

BBBS leases office equipment under non-cancellable operating leases which expire in 2021 and 2022. Lease expense totaled $6,136 and $6,040 for the years ended December 31, 2017 and 2016. Future minimum lease payments required under the leases are as follows:

Year ending December 31,	Amount
2018	$ 2,881
2019	2,881
2020	2,881
2021	2,608
2022	596
Total	$ 11,847

9. PENSION PLAN

BBBS contributes to a simplified employee pension plan for its employees. All employees earning a minimum of $6,000 with BBBS are eligible to participate in the plan and may do so by the first of the month after their hire date. There is a dollar-for-dollar match deferred of 1% to 3% of the employees' annual salary as approved by the Board of Directors. Contributions to the plan for the years ended December 31, 2017 and 2016 totaled $6,733 and $7,303, respectively.

10. RELATED PARTY TRANSACTIONS

Big Brothers Big Sisters of Tucson, Inc. Donation Center ("Donation Center") was formed in 2006 to collect donations and resell them to local Savers Thrift Stores with 100% of the net proceeds supporting BBBS and its youth mentoring services. Total contributions received from the Donation Center for the years ended December 31, 2017 and 2016 was $109,506 and $103,388, respectively. In addition, rental income received from the Donation Center in a month-to-month lease totaled $23,637 and $23,634 during the years ended December 31, 2017 and 2016, respectively.

11. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 31, 2018, which is the date the financial statements were available to be issued.

GOVERNMENT REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Big Brothers Big Sisters of Tucson, Inc.
Tucson, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Big Brothers Big Sisters of Tucson, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Brothers Big Sisters of Tucson, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters of Tucson, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters of Tucson, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(continued)

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters of Tucson, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regier Carr & Monroe, L.L.P.

May 31, 2018
Tucson, Arizona