
**BIG BROTHERS BIG SISTERS OF SOUTHERN
ARIZONA, INC.**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

DECEMBER 31, 2021 AND 2020



BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Big Brothers Big Sisters of Southern Arizona, Inc., (an Arizona nonprofit corporation), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Big Brothers Big Sisters of Southern Arizona, Inc. as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Governmental Auditing Standards* ("GAS") issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Big Brothers Big Sisters of Southern Arizona, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Southern Arizona, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

(continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Big Brothers Big Sisters of Southern Arizona, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Big Brothers Big Sisters of Southern Arizona, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

(continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2022, on our consideration of Big Brothers Big Sisters of Southern Arizona, 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 Southern Arizona, 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 Southern Arizona, Inc.'s internal control over financial reporting and compliance.

Regier Cant & Monroe, L.L.P.

July 7, 2022
Tucson, Arizona

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

ASSETS

| | <u>2021</u> | <u>2020</u> |
|---|--------------------------------|--------------------------------|
| Cash and cash equivalents | \$ 1,325,829 | \$ 545,725 |
| Certificates of deposit | - | 78,203 |
| Accounts and contributions receivable | 37,221 | 52,382 |
| Prepaid expenses and other current assets | 27,754 | 31,212 |
| Beneficial interest in funds held by others | 23,340 | 22,158 |
| Property and equipment, net | 819,239 | 859,895 |
| Land held for investment | <u>2,500</u> | <u>2,500</u> |
| Total assets | <u><u>\$ 2,235,883</u></u> | <u><u>\$ 1,592,075</u></u> |

LIABILITIES AND NET ASSETS

LIABILITIES

| | | |
|--|--------------------|--------------------|
| Accounts payable | \$ 21,709 | \$ 10,084 |
| Accrued expenses | 48,320 | 40,864 |
| Deferred revenue | - | 11,334 |
| Operating lease obligations | - | 477 |
| Mortgage note payable | 56,324 | 74,036 |
| Paycheck Protection Program note payable | <u>-</u> | <u>122,935</u> |
| Total liabilities | <u>126,353</u> | <u>259,730</u> |

NET ASSETS

| | | |
|---|--------------------------------|--------------------------------|
| Without donor restrictions | | |
| Available for operations | 898,748 | 340,318 |
| Board-designated quasi-endowment | 17,890 | 17,890 |
| Board-designated reserve fund | 100,000 | 100,000 |
| Board-designated for property and equipment | <u>762,915</u> | <u>785,859</u> |
| Total without donor restrictions | 1,779,553 | 1,244,067 |
| With donor restrictions | <u>329,977</u> | <u>88,278</u> |
| Total net assets | <u>2,109,530</u> | <u>1,332,345</u> |
| Total liabilities and net assets | <u><u>\$ 2,235,883</u></u> | <u><u>\$ 1,592,075</u></u> |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------------|
| SUPPORT AND REVENUE | | | |
| Government grants and contracts | \$ 238,302 | \$ - | \$ 238,302 |
| Special events, net of \$103,537 direct donor benefit costs | 263,604 | - | 263,604 |
| Contributions | 644,358 | 389,000 | 1,033,358 |
| Contributions - donation center | 106,427 | - | 106,427 |
| Bequest income | 17,831 | - | 17,831 |
| Rental income - donation center | 23,637 | - | 23,637 |
| Paycheck Protection Program grant | 236,310 | - | 236,310 |
| Other revenue | 3,214 | - | 3,214 |
| Investment income | 2,764 | - | 2,764 |
| | <u>1,536,447</u> | <u>389,000</u> | <u>1,925,447</u> |
| Net assets released from restriction Satisfaction of program restrictions | 147,301 | (147,301) | - |
| | <u>1,683,748</u> | <u>241,699</u> | <u>1,925,447</u> |
| EXPENSES | | | |
| Program services | 933,227 | - | 933,227 |
| Management and general | 115,057 | - | 115,057 |
| Fundraising | 99,978 | - | 99,978 |
| | <u>1,148,262</u> | <u>-</u> | <u>1,148,262</u> |
| CHANGE IN NET ASSETS | 535,486 | 241,699 | 777,185 |
| NET ASSETS, BEGINNING OF YEAR | <u>1,244,067</u> | <u>88,278</u> | <u>1,332,345</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 1,779,553</u></u> | <u><u>\$ 329,977</u></u> | <u><u>\$ 2,109,530</u></u> |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Totals</u> |
|--|---------------------------------------|------------------------------------|-------------------------|
| SUPPORT AND REVENUE | | | |
| Government grants and contracts | \$ 124,936 | \$ - | \$ 124,936 |
| Special events, net of \$19,347 direct donor benefit costs | 76,508 | - | 76,508 |
| Contributions | 532,983 | 174,000 | 706,983 |
| Contribution - donation center | 80,466 | - | 80,466 |
| Bequest income | 785 | - | 785 |
| Rental income - donation center | 23,637 | - | 23,637 |
| Other revenue | 58,540 | - | 58,540 |
| Investment income | 3,730 | - | 3,730 |
| | <u>901,585</u> | <u>174,000</u> | <u>1,075,585</u> |
| Net assets released from restriction Satisfaction of program restrictions | <u>171,559</u> | <u>(171,559)</u> | <u>-</u> |
| Total support and revenue | <u>1,073,144</u> | <u>2,441</u> | <u>1,075,585</u> |
| EXPENSES | | | |
| Program services | 893,216 | - | 893,216 |
| Management and general | 106,747 | - | 106,747 |
| Fundraising | 84,982 | - | 84,982 |
| Total expenses | <u>1,084,945</u> | <u>-</u> | <u>1,084,945</u> |
| CHANGE IN NET ASSETS | (11,801) | 2,441 | (9,360) |
| NET ASSETS, BEGINNING OF YEAR | <u>1,255,868</u> | <u>85,837</u> | <u>1,341,705</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 1,244,067</u></u> | <u><u>\$ 88,278</u></u> | <u><u>1,332,345</u></u> |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

| | Program Services | Management and General | Fundraising | Totals |
|--|---------------------|---------------------------|------------------|---------------------|
| Salaries | \$ 498,892 | \$ 68,598 | \$ 56,125 | \$ 623,615 |
| Payroll taxes and employee benefits | 90,397 | 12,430 | 10,170 | 112,997 |
| | <u>589,289</u> | <u>81,028</u> | <u>66,295</u> | <u>736,612</u> |
| Communications | 5,967 | 820 | 671 | 7,458 |
| Depreciation | 32,525 | 4,472 | 3,659 | 40,656 |
| Facilities and occupancy | 33,830 | 4,652 | 3,806 | 42,288 |
| Insurance | 21,395 | 2,377 | - | 23,772 |
| Operations and office expenses | 60,000 | 6,909 | 5,653 | 72,562 |
| Payments to affiliated organizations | 17,619 | 2,423 | 1,982 | 22,024 |
| Professional development | 12,067 | 1,659 | 1,358 | 15,084 |
| Professional fees and contract services | 77,428 | 10,646 | 8,711 | 96,785 |
| Program expenses | 82,589 | - | 7,785 | 90,374 |
| Small equipment | 518 | 71 | 58 | 647 |
| Special event expenses | - | - | 103,537 | 103,537 |
| | <u>933,227</u> | <u>115,057</u> | <u>203,515</u> | <u>1,251,799</u> |
| Total functional expenses | | | | |
| Less direct donor benefit costs netted against revenues | <u>-</u> | <u>-</u> | <u>(103,537)</u> | <u>(103,537)</u> |
| Total expenses | <u>\$ 933,227</u> | <u>\$ 115,057</u> | <u>\$ 99,978</u> | <u>\$ 1,148,262</u> |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

| | Program services | Management and general | Fundraising | Totals |
|--|---------------------|---------------------------|------------------|---------------------|
| Salaries | \$ 446,209 | \$ 61,354 | \$ 50,198 | \$ 557,761 |
| Payroll taxes and employee benefits | 94,811 | 13,036 | 10,666 | 118,513 |
| | <u>541,020</u> | <u>74,390</u> | <u>60,864</u> | <u>676,274</u> |
| Communications | 4,877 | 670 | 549 | 6,096 |
| Depreciation | 33,477 | 4,603 | 3,766 | 41,846 |
| Facilities and occupancy | 26,564 | 3,653 | 2,988 | 33,205 |
| Insurance | 25,077 | 2,881 | - | 27,958 |
| Operations and office expenses | 44,054 | 5,698 | 4,663 | 54,415 |
| Payments to affiliated organizations | 16,708 | 2,297 | 1,880 | 20,885 |
| Professional development | 11,342 | 1,560 | 1,276 | 14,178 |
| Professional fees and contract services | 69,518 | 9,559 | 7,821 | 86,898 |
| Program expenses | 119,942 | 1,348 | 1,103 | 122,393 |
| Small equipment | 637 | 88 | 72 | 797 |
| Special event expenses | - | - | 19,347 | 19,347 |
| | <u>893,216</u> | <u>106,747</u> | <u>104,329</u> | <u>1,104,292</u> |
| Total functional expenses | 893,216 | 106,747 | 104,329 | 1,104,292 |
| Less direct donor benefit costs netted against revenues | <u>-</u> | <u>-</u> | <u>(19,347)</u> | <u>(19,347)</u> |
| Total expenses | <u>\$ 893,216</u> | <u>\$ 106,747</u> | <u>\$ 84,982</u> | <u>\$ 1,084,945</u> |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

| | 2021 | 2020 |
|--|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 777,185 | \$ (9,360) |
| Adjustments to reconcile change in net assets to net cash from operating activities: | | |
| Change in value of beneficial interest in funds held by others | (1,182) | (1,348) |
| Interest from certificates of deposit | - | (1,018) |
| Depreciation | 40,656 | 41,846 |
| Paycheck Protection Program grant | (236,310) | - |
| Increase (decrease) in cash resulting from changes in: | | |
| Accounts and contributions receivable | 15,161 | (13,910) |
| Prepaid expenses and other current assets | 3,458 | 760 |
| Accounts payable | 11,625 | (23,175) |
| Accrued expenses | 7,456 | 2,619 |
| Operating lease obligation | (477) | (3,494) |
| Deferred revenue | (11,334) | (38,166) |
| Net cash provided by (used in) operating activities | 606,238 | (45,246) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Proceeds from certificates of deposit | 78,203 | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments on note payable | (17,712) | (10,891) |
| Proceeds from Paycheck Protection Program note payable | 113,375 | 122,935 |
| Net cash provided by financing activities | 95,663 | 112,044 |
| CHANGE IN CASH AND CASH EQUIVALENTS | 780,104 | 66,798 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 545,725 | 478,927 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 1,325,829 | \$ 545,725 |
| SUPPLEMENTAL CASH FLOW INFORMATION | | |
| Cash paid for interest | \$ 3,540 | \$ 4,023 |

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

BIG BROTHERS BIG SISTERS OF SOUTHERN ARIZONA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Big Brothers Big Sisters of Southern Arizona, Inc. (“BBBS”) was formed as a result of the merger of Big Brothers of Tucson and Big Sisters of Tucson in 1981. BBBS changed its name from Big Brothers Big Sisters of Tucson, Inc. during the year ended December 31, 2018. 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

The financial statements are presented in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. The FASB is responsible for establishing accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Revenue Recognition

BBBS records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

BBBS recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. There were no conditional contributions for the years ended December 31, 2021 and 2020.

Grants are generally recorded on a reimbursement basis, that is, when qualifying expenses are incurred by BBBS, both a receivable from the funder and revenue are recorded.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

BBBS recognizes a right-of-use asset and a lease liability in the statement of financial position. Right-of-use assets and lease liabilities are measured based on the present value of the remaining lease payments.

As such, BBBS recognized a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis. All cash payments were then classified within operating activities on the statement of cash flows.

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.

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. The uninsured amounts of cash were approximately \$222,000 at December 31, 2021. These amounts are not collateralized, which is within normal business practices. Management does not believe they are exposed to any significant credit risks.

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's policy to charge off uncollectible contributions receivable when management determines the receivable will not be collected.

Property and Equipment

Property and equipment acquisitions over \$3,000, 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. Furniture, equipment and vehicles are being depreciated from three to seven years. Buildings and improvements are being depreciated over forty years. The cost of repairs and maintenance and all other equipment purchases are charged to expense in the year incurred.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Expense

Advertising costs are expensed as incurred. Advertising costs are included in program expenses on the statements of functional expenses, and were \$30,772 and \$12,255, for the years ended December 31, 2021 and 2020, respectively.

Recognition of Donor Restrictions

Accounts and contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions 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 net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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 net assets with donor restrictions 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.

(continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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)(1)(A), and has been classified as an organization other than a private foundation under Section 509(a)(1).

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, 2021 and 2020, 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 of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefitted. Functional expenses are allocated based on time and effort. Employees log hours worked through a timekeeping method each pay period. At the end of the fiscal year expenses are allocated based on the hours logged in program, administration, and fundraising.

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.

Change in Accounting Principle - Fair Value Disclosure and Measurements

BBBS has adopted provisions of Financial Accounting Standards Board Accounting Standards Update ("ASU") 2018-13, Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements. This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements, as well as clarifying specific disclosure requirements. BBBS retrospectively adopted ASU 2018-13 for the fiscal year beginning January 1, 2021. The adoption of this ASU removed discussion of the valuation process of BBBS's Level 3 fair value measurements.

(continued)

2. LIQUIDITY AND AVAILABILITY OF FUNDS

BBBS's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows.

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|-------------------|
| Cash and cash equivalents | \$ 1,325,829 | \$ 545,725 |
| Certificates of deposit | - | 78,203 |
| Accounts and contributions receivable | <u>37,221</u> | <u>52,382</u> |
| Total financial assets | 1,363,050 | 676,310 |
| Less amounts not available to be used within one year: | | |
| Net assets with donor restrictions | <u>329,977</u> | <u>88,278</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 1,033,073</u> | <u>\$ 588,032</u> |

As part of BBBS liquidity management plan, they invest cash in excess of daily requirements in short-term investments, certificates of deposit, and money market funds. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, which was \$100,000 at December 31, 2021 and 2020.

3. 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 ("Fund") for Big Brothers Big Sisters of Southern Arizona, 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 judgment 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 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 \$23,340 and \$22,158 at December 31, 2021 and 2020, respectively.

(continued)

4. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and December 31, 2020, consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------|-------------------|
| Land | \$ 50,000 | \$ 50,000 |
| Building | 1,468,106 | 1,468,106 |
| Furniture, fixtures, and equipment | 94,502 | 94,502 |
| Right of use assets | <u>5,819</u> | <u>7,823</u> |
| | 1,618,427 | 1,620,431 |
| Less accumulated depreciation | <u>(799,188)</u> | <u>(760,536)</u> |
| Total | <u>\$ 819,239</u> | <u>\$ 859,895</u> |

5. 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,

| | |
|-------|------------------|
| 2022 | \$ 10,178 |
| 2023 | 10,698 |
| 2024 | <u>35,448</u> |
| Total | <u>\$ 56,324</u> |

In May 2022, this mortgage note was paid in full.

6. 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.

(continued)

6. 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's land held for investment is valued utilizing Level 3 inputs. BBBS has established a beneficial interest in board-designated quasi-endowment funds held at the Community Foundation for Southern Arizona ("CFSA"). CFSA has 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, 2021, were as follows:

| | <u>Level 3</u> | <u>Total</u> |
|---|------------------|------------------|
| Beneficial interest in funds held at CFSA | \$ 23,340 | \$ 23,340 |
| Land held for investment | <u>2,500</u> | <u>2,500</u> |
| Total | <u>\$ 25,840</u> | <u>\$ 25,840</u> |

Fair values of assets measured on a recurring basis at December 31, 2020, were as follows:

| | <u>Level 3</u> | <u>Total</u> |
|---|------------------|------------------|
| Beneficial interest in funds held at CFSA | \$ 22,158 | \$ 22,158 |
| Land held for investment | <u>2,500</u> | <u>2,500</u> |
| Total | <u>\$ 24,658</u> | <u>\$ 24,658</u> |

(continued)

6. 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, 2021:

| | <u>Beginning Balance</u> | <u>Change in Value</u> | <u>Distributions</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------------|----------------------|---------------------------|
| Beneficial interest in funds held at CFSA | \$ 22,158 | \$ 1,182 | \$ - | \$ 23,340 |
| Land held for investment | <u>2,500</u> | <u>-</u> | <u>-</u> | <u>2,500</u> |
| Total | <u>\$ 24,658</u> | <u>\$ 1,182</u> | <u>\$ -</u> | <u>\$ 25,840</u> |

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, 2020:

| | <u>Beginning Balance</u> | <u>Change in Value</u> | <u>Distributions</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------------|----------------------|---------------------------|
| Beneficial interest in funds held at CFSA | \$ 20,810 | \$ 1,348 | \$ - | \$ 22,158 |
| Land held for investment | <u>2,500</u> | <u>-</u> | <u>-</u> | <u>2,500</u> |
| Total | <u>\$ 23,310</u> | <u>\$ 2,664</u> | <u>\$ -</u> | <u>\$ 24,658</u> |

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restriction activity was as follows for the year ended December 31, 2021:

| | <u>Beginning Balance</u> | <u>Contri- butions</u> | <u>Releases</u> | <u>Ending Balance</u> |
|---|------------------------------|----------------------------|---------------------|---------------------------|
| United Way | \$ 53,337 | \$ - | \$ (40,967) | \$ 12,370 |
| Improved program and donor software | 7,000 | - | (7,000) | - |
| Comcast Beyond School Walls | 15,836 | 39,000 | (37,229) | 17,607 |
| Marketing | 12,105 | 50,000 | (62,105) | - |
| Challenge for Capacity Building and Capital Expenses | <u>-</u> | <u>300,000</u> | <u>-</u> | <u>300,000</u> |
| Total | <u>\$ 88,278</u> | <u>\$ 389,000</u> | <u>\$ (147,301)</u> | <u>\$ 329,977</u> |

(continued)

7. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets with donor restriction activity was as follows for the year ended December 31, 2020:

| | <u>Beginning Balance</u> | <u>Contri- butions</u> | <u>Releases</u> | <u>Ending Balance</u> |
|-------------------------------------|------------------------------|----------------------------|---------------------|---------------------------|
| United Way | \$ 59,750 | \$ - | \$ (6,413) | \$ 53,337 |
| Improved program and donor software | 10,200 | - | (3,200) | 7,000 |
| Comcast Beyond School Walls | 13,387 | 39,000 | (36,551) | 15,836 |
| Program Scholarship Grant | 2,500 | - | (2,500) | - |
| Marketing | <u>-</u> | <u>135,000</u> | <u>(122,895)</u> | <u>12,105</u> |
| Total | <u>\$ 85,837</u> | <u>\$ 174,000</u> | <u>\$ (171,559)</u> | <u>\$ 88,278</u> |

8. LEASES

BBBS leases office equipment under a non-cancellable operating lease which expires in 2022.

Future minimum lease payments required under the leases are as follows:

Year Ending December 31,

| | |
|---|---------------|
| 2022 | <u>\$ 580</u> |
| Total | 580 |
| Interest | <u>580</u> |
| Operating lease liability, December 31, 2021 | <u>\$ -</u> |

9. PENSION PLAN

BBBS contributes to a simplified employee pension plan for its employees. All employees earning a minimum of \$5,000 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, 2021 and 2020, totaled \$12,847 and \$11,265, respectively.

(continued)

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, 2021 and 2020, was \$106,427 and \$80,466, respectively. In addition, rental income received from the Donation Center in a month-to-month lease totaled \$23,637, during the years ended December 31, 2021 and 2020.

11. PAYCHECK PROTECTION PROGRAM GRANT

In May 2021, BBBS qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for a principal amount of \$113,375. Under the terms of the agreement, the loan was unsecured, with interest at 1%.

During the year ended December 31, 2021, BBBS successfully applied for forgiveness of the loan. BBBS received forgiveness of \$113,375, which was recorded as revenue for the year ended December 31, 2021.

Additionally, in May 2020, BBBS qualified for and received a loan pursuant to the Paycheck Protection Program (“PPP”), a program implemented by the U.S. Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for a principal amount of \$122,935. Under the terms of the agreement, the loan was unsecured, with interest at 1%.

During the year ended December 31, 2021, BBBS successfully applied for forgiveness of the loan. BBBS received forgiveness of \$122,935, which was recorded as revenue for the year ended December 31, 2021.

12. CONTINGENCIES

Legal Matters

The BBBS is a potential defendant in a sexual abuse matter. BBBS has insurance that covers most aspects of the claim. The case has not progressed to a point where the risk of loss can be estimated and the accompanying financial statements do not include any liability in connection with this matter.

(continued)

13. SUBSEQUENT EVENTS

On January 31, 2022, BBBS qualified for and received a loan of \$500,000 pursuant to the Economic Injury Disaster Loan (“EIDL”) program. The EIDL term is thirty years, with an interest rate of 2.75%. Payments begin on January 27, 2024.

Additionally, in April 2022, BBBS listed its headquarters building for an asking price of \$1,500,000.

Subsequent events have been evaluated through July 7, 2022, 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 Southern Arizona, 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 Southern Arizona, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 7, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Big Brothers Big Sisters of Southern Arizona, Inc.’s internal control over financial reporting (internal control) as a basis for designing 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 Southern Arizona, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Big Brothers Big Sisters of Southern Arizona, 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)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Big Brothers Big Sisters of Southern Arizona, 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.

Handwritten signature in black ink that reads "Regier Cant & Monroe, L.L.P." in a cursive style.

July 7, 2022
Tucson, Arizona