



Keegan Linscott & Associates, PC

Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

OUR FAMILY SERVICES, INC.

**AUDITED FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2019)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our Family Services, Inc.
Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of Our Family Services, Inc., an Arizona nonprofit corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, the related statements of expenses by function and nature and cash flows for the years then ended, and the related statement of activities for the year ended June 30, 2020, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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.

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2020, the Organization adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, as amended, and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Report on Summarized Comparative Information

We have previously audited the Organization's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of the Organization'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 to solely 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 the Organization'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 the Organization's internal control over financial reporting and compliance.



Tucson, Arizona
November 4, 2020

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,737,619	\$ 546,631
Grants and contracts receivable, net	660,464	352,935
Prepaid and other current assets	190,272	198,952
Investments	1,080,926	1,546,716
Investments- other	757,115	-
Property held for sale	518,067	515,887
Total current assets	<u>4,944,463</u>	<u>3,161,121</u>
Investments - other	1,024,620	-
Property and equipment, net	1,849,122	1,455,582
Beneficial interest in funds held by others	365,910	384,501
Total assets	<u><u>\$ 8,184,115</u></u>	<u><u>\$ 5,001,204</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$ 280,432	\$ 49,831
Accrued expenses	205,509	157,748
Deferred revenues	139,650	2,545
Custodial liabilities	12,131	18,697
Total current liabilities	<u>637,722</u>	<u>228,821</u>
Long-term debt	98,000	-
Angel Charity Forgivable Loan	270,058	337,572
Total liabilities	<u>1,005,780</u>	<u>566,393</u>
Net Assets		
Without donor restrictions	3,339,641	3,706,471
With donor restrictions	3,838,694	728,340
Total net assets	<u>7,178,335</u>	<u>4,434,811</u>
Total liabilities and net assets	<u><u>\$ 8,184,115</u></u>	<u><u>\$ 5,001,204</u></u>

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Summarized Total 2019
Revenues and Other Support				
Government grants and contracts	\$ 3,739,622	\$ -	\$ 3,739,622	\$ 3,156,272
Contributions, bequests, and foundation grants	475,404	3,628,863	4,104,267	1,105,304
Program income	138,597	-	138,597	194,696
Donated materials and services	51,749	-	51,749	73,068
United Way	121,460	-	121,460	87,759
Special events, net of \$0 and \$23,569, respectively, direct donor benefit costs	-	-	-	36,498
Other revenue and support	68,763	-	68,763	12,757
Investment income, net	63,130	(8,377)	54,753	75,460
Loss on disposal of property and equipment	(266,836)	-	(266,836)	-
Net assets released from restriction	510,132	(510,132)	-	-
Total revenue and other support	4,902,021	3,110,354	8,012,375	4,741,814
Expenses				
Program services				
Clinical services	84,754	-	84,754	91,064
Community services	295,700	-	295,700	231,826
Family housing	1,864,291	-	1,864,291	1,513,772
Homeless youth services	1,885,607	-	1,885,607	1,823,764
Total program services	4,130,352	-	4,130,352	3,660,426
Fundraising	347,362	-	347,362	328,712
Management and general	791,137	-	791,137	706,908
Total expenses	5,268,851	-	5,268,851	4,696,046
Change in net assets	(366,830)	3,110,354	2,743,524	45,768
Net assets, beginning of year	3,706,471	728,340	4,434,811	4,389,043
Net assets, end of year	\$ 3,339,641	\$ 3,838,694	\$ 7,178,335	\$ 4,434,811

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2020

	Clinical Services	Community Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Contract employees and personnel costs	\$ 68,789	\$ 219,177	\$ 600,382	\$ 943,606	\$ 1,831,954	\$ 258,610	\$ 578,113	\$ 2,668,677
Total personnel	68,789	219,177	600,382	943,606	1,831,954	258,610	578,113	2,668,677
Advertising and public relations	-	417	-	-	417	14,957	-	15,374
Bad debt	306	-	-	-	306	-	14	320
Bank fees	48	602	453	701	1,804	2,202	5,942	9,948
Client housing	-	-	837,675	464,448	1,302,123	-	-	1,302,123
Equipment	626	1,846	7,926	23,023	33,421	1,739	10,030	45,190
Facilities	991	17,709	7,010	24,855	50,565	3,087	46,276	99,928
Insurance	1,436	4,841	11,702	20,302	38,281	5,308	12,190	55,779
Membership, dues and licensing	384	3,083	90	2,299	5,856	12,346	13,846	32,048
Miscellaneous	316	7,532	3,987	6,854	18,689	17,084	15,736	51,509
Office supplies	195	2,494	1,965	2,653	7,307	566	3,073	10,946
Other client expenses	1,197	7,959	103,879	173,802	286,837	3,922	758	291,517
Professional and outside services	4,467	20,735	41,385	107,876	174,463	19,296	64,175	257,934
Recruitment and staff development	1	230	9	199	439	1,013	2,807	4,259
Subrecipient payments	-	-	227,493	37,494	264,987	-	-	264,987
Telephone	1,293	1,726	8,022	13,654	24,695	2,700	7,602	34,997
Travel and auto	2,107	844	7,284	14,667	24,902	-	641	25,543
Volunteer	-	-	-	184	184	-	-	184
Total expenses before depreciation	82,156	289,195	1,859,262	1,836,617	4,067,230	342,830	761,203	5,171,263
Depreciation	2,598	6,505	5,029	48,990	63,122	4,532	29,934	97,588
Total expenses	\$ 84,754	\$ 295,700	\$ 1,864,291	\$ 1,885,607	\$ 4,130,352	\$ 347,362	\$ 791,137	\$ 5,268,851

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

OUR FAMILY SERVICES, INC.

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2019

	Clinical Services	Community Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Contract employees and personnel costs	\$ 68,562	\$ 175,333	\$ 412,158	\$ 890,845	\$ 1,546,898	\$ 218,183	\$ 533,343	\$ 2,298,424
Total personnel	68,562	175,333	412,158	890,845	1,546,898	218,183	533,343	2,298,424
Advertising and public relations	-	16	-	-	16	4,384	250	4,650
Bad debt	3,699	-	152	-	3,851	-	-	3,851
Bank fees	79	665	614	1,139	2,497	1,229	2,660	6,386
Client housing	-	-	737,948	455,408	1,193,356	-	-	1,193,356
Equipment	459	743	4,539	17,320	23,061	1,485	4,601	29,147
Facilities	2,235	3,292	4,536	27,709	37,772	6,087	32,752	76,611
Insurance	1,492	3,847	10,817	22,512	38,668	5,536	11,435	55,639
Membership, dues and licensing	804	2,852	1,259	3,502	8,417	14,140	9,701	32,258
Miscellaneous	346	5,645	1,865	10,744	18,600	13,762	9,008	41,370
Office supplies	300	462	1,503	3,420	5,685	654	2,898	9,237
Other client expenses	2,181	7,039	132,714	143,067	285,001	3,985	5,686	294,672
Professional and outside services	3,924	23,390	29,300	126,594	183,208	51,150	51,912	286,270
Recruitment and staff development	339	380	1,115	2,361	4,195	1,106	5,086	10,387
Subrecipient payments	-	-	156,060	36,987	193,047	-	-	193,047
Telephone	1,368	1,581	6,127	13,835	22,911	2,173	6,617	31,701
Travel and auto	2,675	3,257	8,029	19,436	33,397	300	890	34,587
Volunteer	-	81	-	23	104	-	100	204
Total expenses before depreciation	88,463	228,583	1,508,736	1,774,902	3,600,684	324,174	676,939	4,601,797
Depreciation	2,601	3,243	5,036	48,862	59,742	4,538	29,969	94,249
Total expenses	\$ 91,064	\$ 231,826	\$ 1,513,772	\$ 1,823,764	\$ 3,660,426	\$ 328,712	\$ 706,908	\$ 4,696,046

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,**

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 2,743,524	\$ 45,768
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	97,588	94,249
Loss on disposal of property and equipment	266,836	-
Net realized and unrealized (gain) loss on investments	(26,941)	(19,831)
Net realized and unrealized gain on beneficial interest in funds held by others	11,108	(9,917)
Expiration of Angel Charity Forgivable Loan	(67,514)	(67,514)
Contributions restricted for construction of long-lived assets	(540,656)	-
Contributions restricted for permanent investment	-	(50,000)
Changes in operating assets and liabilities		
Grants and contracts receivable, net	(307,529)	348,955
Prepaid and other current assets	8,680	18,957
Accounts payable	230,601	(23,202)
Accrued expenses	47,761	37,219
Deferred revenues	137,105	2,545
Custodial liabilities	(6,566)	3,904
Net cash provided by operating activities	<u>2,593,997</u>	<u>381,133</u>
Cash Flows from Investing Activities		
Purchases of equipment for property held for sale	(2,180)	-
Purchases of property and equipment	(757,964)	(48,137)
Proceeds from sale of investments	503,522	3,044
Purchases of investments	(1,792,526)	(1,271,688)
Distributions from beneficial interest in funds held by others	10,214	9,918
Contributions and reinvestments in beneficial interest in funds held by others	(2,731)	(53,705)
Net cash used in investing activities	<u>(2,041,665)</u>	<u>(1,360,568)</u>
Cash Flows from Financing Activities		
Collection of contributions restricted for construction of long-lived assets	540,656	-
Collection of contributions restricted for investment in endowment	-	50,000
Proceeds on long-term debt	98,000	-
Net cash provided by financing activities	<u>638,656</u>	<u>50,000</u>
Net change in cash and cash equivalents	1,190,988	(929,435)
Cash and cash equivalents, beginning of year	<u>546,631</u>	<u>1,476,066</u>
Cash and cash equivalents, end of year	<u><u>1,737,619</u></u>	<u><u>546,631</u></u>
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Expiration of Angel Charity Forgivable Loan	<u>\$ 67,514</u>	<u>\$ 67,514</u>

NOTES TO FINANCIAL STATEMENTS

1. Organization

Our Family Services, Inc. (the "Organization") is a private non-profit organization incorporated in Arizona to provide housing, counseling, community services, and services to teens in transition, families and senior/older and disabled adults in Southern Arizona. Funding is received principally from government grants and vendor contracts, as well as foundation grants and contributions. The Organization was formed October 26, 2005 and merged with another nonprofit entity on July 1, 2012.

The Organization has the following program categories:

Community Services programs, which include:

Clinical Services – General mental health counseling and assessment services for youth, families, seniors and people with disabilities.

Community Services – Group and educational-based programs to build skills, resiliency, resources and connections within our community. Services include Information and Referral, and the Center for Community Dialogue and Training.

Family Housing programs, which include:

Emergency Shelter Services – This 120-day program is the first part of a multi-phase program to help families achieve financial self-sufficiency. The average family enters the shelter after weeks or months of homelessness. During this crisis phase, our Organization provides clients with all their basic needs.

Homeless Prevention – Prevents families from becoming homeless by engaging them in a case management and preventing eviction and covering costs (utility shut offs, daycare, food, car repairs, etc.) that could lead to a family to become homeless.

United Way/Siemer Project – Our Organization works to prevent families from becoming homeless and moving their children to another school. Provides case management and some financial assistance to clients.

Rapid Rehousing – Provides short-term rental assistance and/or utility assistance to homeless families to obtain apartments with their own leases, moving quickly from homelessness to stable housing.

Homeless Youth programs, which include:

Homeless Youth Services – Helps homeless and near-homeless youth ages 13 to 24 stay in school and gain the life skills they need through case management, counseling, education and career planning, shelter, housing and help with basic skills.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with the provisions of ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization 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. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

- **Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.
- **With Donor Restrictions** – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time. Net assets with donor restrictions also includes net assets that are subject to donor-imposed stipulations such that assets must be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets on continuing operations which may be subject to certain restrictions.

Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions.

Endowment Funds

The Organization's endowments were established to support, further and enhance the mission of the Organization. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. The Organization has three endowment funds that are held and managed at the Jewish Community Foundation of Southern Arizona (the "JCFSA") and are comprised of donor specified beneficiary funds. Donor specified beneficiary funds represent donor restricted contributions made to JCFSA for the benefit of the Organization (i.e., donor has specified the Organization as the beneficiary).

The Organization has interpreted the "Management of Charitable Funds Act" (Arizona's version of the Uniform Prudent Management of Institutional Funds Act or UPMIFA), which underlies the Organization's net asset classification of donor-restricted endowment funds, as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (1) the original value of gifts donated to the endowment, (2) the original value of subsequent gifts to the endowment, and (3) if applicable, accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Endowment Funds (continued)

endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the law, at which time those amounts will be reported as net assets without donor restrictions.

The Organization has no formally adopted investment policies for its endowment assets; however, the Organization is subject to JCFSA's investment and spending policies for endowment assets. These policies attempt to preserve the purchasing power of the investments after withdrawals are taken, while increasing the value of the fund over time. The financial objectives have been established in conjunction with a comprehensive review of the current and projected financial requirements of the JCFSA with consideration of the requirements imposed by the Management of Charitable Funds Act. While there cannot be complete assurance that this objective will be realized, it is believed the likelihood of its realization is reasonably high based upon JCFSA's investment policy and historical performance. The objective is based on a ten-year investment horizon, so that interim fluctuations should be viewed with appropriate perspective. Accumulated earnings on these endowments are released as appropriations from net assets with donor restriction when distributed by JCFSA and the related restriction (if any) has been met. JCFSA has adopted a spending policy of appropriating for distribution each year between 3.5% and 5% of its endowment value.

The Organization has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless precluded by donor intent or relevant laws and regulations. The Organization did not spend from underwater endowment funds during the year. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or current law requires the Organization to retain for a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in net assets with donor restrictions. There were no such deficiencies as of June 30, 2020 and 2019.

Revenue Recognition **Contributions**

Government Grants and Contracts– The Organization accounts for its government grants and contracts by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization recognizes revenue in accordance with ASC 606. Government grants and contracts revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Organization recognizes revenue in accordance with ASC 958-605. None of the Organization's government grants and contracts revenues were considered exchange transactions for the year ended June 30, 2020.

Contributions, Bequests and Foundation Grants – Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

- **Conditional** – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

- **Unconditional** – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statement of financial position for the amount of funds provided by the donor. Consequently, government funded grants and contracts revenue which are considered contributions are recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

Bequests are recognized in the period in which the Organization receives notification that a will or trust has been enacted, the court has deemed the will or trust valid, the amount is known or can be reasonably estimated, and all conditions have been substantially met.

Donated Goods, Facilities and Services – Contributions of donated non-cash assets including goods and facilities are recorded at their fair values on the date the asset is donated. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service. Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation. The Organization utilizes the services of many outside volunteers to perform a variety of tasks that assist the Organization. Although the Organization 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 U.S. GAAP.

Exchange Transactions

The Organization recognizes earned revenues in accordance with ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Program Income– Program income consists of behavioral health income, client service fees, and rental income.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Behavioral Health Income – Behavioral health income is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing behavioral health services to clients. These amounts are due from third-party payers (primarily AHCCCS health plans), and they include variable consideration for retroactive revenue adjustments due to settlement of audits, review and adjudication of claims, and investigations. Revenues are recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. Management believes that services that are delivered to the client per each encounter are considered one performance obligation even though the underlying tasks performed for each client may vary. The Organization recognizes revenue over time since the client simultaneously receives and consumes the benefits of the services provided per each encounter. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

Revenues are based primarily on payment terms involving predetermined rates per service (fee-for-service), and/or other similar contractual arrangements. These revenues are also subject to review and possible audit by the payers, which can take several years before they are completely resolved. The payers are billed for client services on an individual encounter basis. A bill is subject to adjustment on an encounter-by-encounter basis in the ordinary course of business by the payers following their review and adjudication of each particular bill. Management does not believe that there were any adjustments to estimates of submitted bills that were material to the Organization's revenues for the year ended June 30, 2020. Through November 4, 2020, the Organization is not aware of any claims, disputes or unsettled matters with any payer that would materially affect revenues in the accompanying financial statements. Behavioral health income totaled \$75,230 and \$81,477 for the years ended June 30, 2020 and 2019, respectively.

Client Service Fees – Client service fees primarily consist of conflict mediation services and educational trainings to third parties. Performance obligations are determined based on the nature of the services provided. The Organization recognizes revenues at a point in time when the related services are provided to the customer, which is when the performance obligation is satisfied. The transaction price is the amount of consideration the Organization expects to be entitled. Revenues are based primarily on fixed payment terms involving predetermined rates per service (fee-for-service) and typically do not involve variable consideration.

The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability, such as deferred revenue is also recorded. If revenue is recognized in advance of the right to invoice, a contract asset, such as accounts receivable is recorded. Client service fees totaled \$54,117 and \$109,843 for the years ended June 30, 2020 and 2019, respectively.

Rental Income – The Organization recognizes rental income in accordance with ASC 840, *Leases*. Rental income is recognized evenly over the terms of the tenant leases on the accrual basis. Rental receipts received in advance are deferred until earned. Rental income totaled \$9,250 and \$3,376 for the years ended June 30, 2020 and 2019, respectively.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)***Revenue Recognition (continued)***

Disaggregated Revenue - As discussed previously, revenue from the client service fees are recognized at a point in time, whereas revenue from behavioral health income is recognized over time. Total revenue recognized at a point in time and over time was as follows for the year ended June 30, 2020:

Revenue recognized at a point in time	\$	54,117
Revenue recognized over time		<u>75,230</u>
Total exchange transaction revenue	\$	<u>\$129,347</u>

Cash and Cash Equivalents

For financial statement reporting purposes, the Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. The carrying amount of cash equivalents approximates their fair values. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit (see Note 19). The Organization has not experienced any losses and does not believe it is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk.

Grants and Contracts Receivable, Net

Grants and contracts receivable are stated at the amount that the Organization expects to collect from various governmental entities and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected and is based on management's assessment of the collectability of specific accounts and the aging of the receivable. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. As of June 30, 2020 and 2019, management estimated an allowance for uncollectible accounts of \$1,023 and \$271, respectively.

Investments

Debt and Equity Securities - Investments are accounted for in accordance with ASC 958-320, *Investments - Debt and Equity Securities*. Investments in debt and equity securities are valued at their fair values in the accompanying statements of financial position. Investment income, gains and losses are reported net of related investment fees in the statement of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Donated investments are recorded at fair value.

The Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Investments (continued)

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, management evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and the intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established. Through June 30, 2020, the Organization has not experienced other-than-temporary impairment losses on its investments.

Investments - Other

Certificates of deposit held for investment that are not debt securities are included in other investments. Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term, and certificates of deposit with remaining maturities greater than one year are classified as long-term.

Property and Equipment, Net

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings and improvements	7 – 40 years
Furniture, fixtures and equipment	3 – 7 years
Vehicles	5 years

The Organization capitalizes all expenditures for property and equipment, including repairs or betterments that materially prolong the useful lives of assets, in excess of \$1,000 with a useful life greater than one year. Repairs and maintenance for normal upkeep are charged to expense as incurred. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any resulting gain or loss is recognized.

The Organization records property and equipment classified as held for sale at the lower of its carrying value or fair value less cost to sell. Once the criteria for held for sale treatment is met, the Organization ceases depreciating the held for sale asset.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2020, the Organization had not experienced impairment losses on its long-lived assets.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Beneficial Interest in Funds Held by Others

In accordance with ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*, the Organization measures the fair value of donor specified beneficiary funds held at the JCFSA using the fair value of the underlying assets. Annual distributions from the funds are reported as investment income. Investment income, gains and losses are reported in the accompanying statements of activities as increases or decreases in net assets. Gains and investment income limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized.

The JCFSA on behalf of the Organization invests in professionally managed portfolios that contain equity and fixed income securities. Such investments are exposed to various risks such as market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the accompanying financial statements.

Investments are considered to be impaired when a decline in fair value is judged to be other-than-temporary. The Organization employs a systematic methodology on an annual basis that considers available quantitative and qualitative evidence in evaluating potential impairment of its investments. If the cost of an investment exceeds its fair value, the Organization evaluates, among other factors, general market conditions, the duration and extent to which the fair value is less than cost, and its intent and ability to hold the investment. The Organization also considers specific adverse conditions related to the financial health of and business outlook for the investee, including industry and sector performance, changes in technology, operational and financing cash flow factors, and rating agency actions. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis in the investment is established.

Income Tax

The Organization is exempt from federal and state income taxes under the Federal Internal Revenue Code ("IRC") Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under IRC Section 509(a)(1). The Organization also qualifies for the charitable contribution deduction under IRC Section 170(b)(1)(a). Accordingly, no provision for federal or state income taxes is recorded in the accompanying financial statements; however, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income.

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in management and general expenses in its accompanying financial statements. During the years ended June 30, 2020 and 2019, the Organization did not recognize any interest and penalties.

Advertising

The Organization expenses advertising costs as incurred.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by location and based on either full-time equivalent or square footage depending on what is considered the most appropriate cost driver.

Use of Estimates

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

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation, with no effect on net assets.

3. Recent Accounting Pronouncements

Adopted as of June 30, 2020

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The amendments in this ASU affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU will supersede the recognition requirements in ASC Topic 605, *Revenue Recognition*, and most industry-specific guidance, and creates Topic 606 *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either the full retrospective or retrospective with cumulative effect transition method. Subsequent amendments have been issued for technical corrections (ASU No. 2016-20); narrow scope improvements and practical expedients (ASU No. 2016-12); identifying performance obligations and licensing arrangements (ASU No. 2016-10); and gross versus net revenue reporting (ASU No. 2016-08). ASU No. 2014-09 (and subsequent amendments) is effective for annual reporting periods beginning after December 15, 2018. Early adoption is permitted with certain restrictions.

The Organization adopted ASU 2014-09 on July 1, 2019 utilizing the modified retrospective method. As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Adopted as of June 30, 2020 (continued)

allocating the transaction price; (ii) to apply the standard only to contracts that are not completed at the initial date of application; (iii) to apply the new revenue standard to a portfolio of contracts (or performance obligations) with similar characteristics if it is reasonably expected that the effects on the financial statements of applying this guidance to the portfolio would not differ materially from applying this guidance to the individual contracts (or performance obligations) within that portfolio; and (iv) to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less. The Organization's modified retrospective adoption of the new revenue standard resulted in no impact to net assets, or to cash from or used in operating, financing or investing on the statement of cash flows. The impact of applying this ASU for the year ended June 30, 2020 resulted in no impact to the financial statements and primarily affected the Organization's disclosure of policies and related activity for program income.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. ASU 2018-08 is effective for annual reporting periods beginning after December 15, 2018, and interim periods with fiscal years beginning after December 15, 2019. Application to interim financial statements is permitted but not required in the initial year of application. Early application of the amendments is permitted.

The Organization adopted ASU 2018-08 during fiscal year 2020 on a modified prospective basis. The adoption of this ASU primarily affected the Organization's disclosure of policies and related activity for the Organization's government grants and contracts which are considered conditional contributions. The adoption of this ASU did not have a material effect on the Organization's financial statements for the year ended June 30, 2020.

Not Yet Required to be Adopted as of June 30, 2020

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required (see ASU No. 2018-11 below for optional transition method) for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available.

In July 2018, the FASB issued ASU No. 2018-11, *Leases (Topic 842): Targeted Improvements*. This ASU is intended to reduce costs and ease implementation of the leases standard for financial statement preparers. ASU 2018-11 provides a new transition method and a practical expedient for separating components of a contract. The amendments ASU 2018-11 provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Yet Required to be Adopted as of June 30, 2020 (continued)

new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current U.S. GAAP in Topic 840, *Leases*. The amendments in ASU 2018-11 also provide lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component if the nonlease components otherwise would be accounted for under the new revenue guidance (Topic 606). The effective date and transition requirements for the amendments in this update related to separating components of a contract are the same as the effective date and transition requirements in ASU 2016-02 (i.e., fiscal years beginning after December 15, 2021). All entities, including early adopters, that elect the practical expedient related to separating components of a contract in this ASU must apply the expedient, by class of underlying asset, to all existing lease transactions that qualify for the expedient at the date elected. The Organization is currently evaluating the effect these standards will have on the financial statements and disclosures.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. The Organization does not intend to early adopt. The Organization is currently evaluating the impact of adopting this new guidance on its financial statements and disclosures and does not expect the impact to be significant.

In August 2018, the FASB has issued ASU 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU applies the provisions of recently released Chapter 8, "Notes to Financial Statements," of the FASB's Conceptual Framework for Financial Reporting, resulting in the removal, modification and addition of certain disclosure requirements. The ASU also clarifies that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The ASU is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on the financial statements and disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. Examples of contributed nonfinancial assets include fixed assets such as land, buildings, and equipment; the use of fixed assets or utilities; materials and supplies, such as food, clothing,

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Yet Required to be Adopted as of June 30, 2020 (continued)

or pharmaceuticals; intangible assets; and recognized contributed services. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. It also requires a not-for-profit to disclose: 1) contributed nonfinancial assets recognized within the statement of activities disaggregated by category that depicts the type of contributed nonfinancial assets; and 2) for each category of contributed nonfinancial assets recognized: i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in Topic 820, Fair Value Measurement, at initial recognition; and v) the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient not-for-profit organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022. Early adoption is permitted. The Organization is currently evaluating the effect that the standard will have on the financial statements and disclosures.

NOTES TO FINANCIAL STATEMENTS

4. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30:

	2020	2019
Cash and cash equivalents	\$ 1,737,619	\$ 546,631
Grants and contracts receivable, net	660,464	352,935
Investments	1,080,926	1,546,716
Investments - other	1,781,735	-
Beneficial interest in funds held by others	365,910	384,501
Total financial assets	5,626,654	2,830,783
Less amounts unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions		
Custodial liabilities	12,131	18,697
Endowment funds	316,759	316,759
Other donor restrictions	3,521,935	411,581
Board designations		
Operating reserve	140,782	140,782
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,635,047	\$ 1,942,964

The Organization is substantially supported by current year government grants and contracts and contributions, bequests, and foundation grants, which are predictable. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The Organization's board of directors has also established a board designated operating reserve that is intended to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated losses in funding, or uninsured losses. As of June 30, 2020 and 2019, the board designated operating reserve had a balance of \$140,782.

NOTES TO FINANCIAL STATEMENTS

5. Investments

Investments are stated at fair value and consist of the following as of June 30:

	2020	2019
Mutual Funds	\$ 520,172	\$ 501,650
Money Market Treasury Portfolio	21,636	23,647
Prime Obligations Fund	539,118	1,021,419
Total Investments	<u>\$ 1,080,926</u>	<u>\$ 1,546,716</u>

Investment income (loss), net related to the Organization's investments consists of the following as of June 30:

	2020	2019
Interest and dividend income	\$ 41,378	\$ 44,564
Realized and unrealized loss on investments, net	26,941	19,831
Investment fees	(5,189)	(2,557)
Total investment income (loss), net	<u>\$ 63,130</u>	<u>\$ 61,838</u>

6. Fair Value Measurements

The Organization utilizes the fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

- Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization's financial assets are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using readily determinable fair values or alternative pricing sources with reasonable levels of price transparency. The types of instruments valued based on readily determinable fair values in active markets include the Organization's mutual funds. Such instruments are classified within Level 1 of the fair value hierarchy.

The restricted investments held at the Jewish Community Foundation of Southern Arizona are categorized as Level 3 due to the lack of a market in which the Organization's units of participation in JCFSA's pooled income trust (i.e., the beneficial interest) could be bought or sold. The Organization measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets.

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2020:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Mid-Cap	\$ 82,684	\$ 82,684	\$ -	\$ -
Corporate Bonds	57,111	57,111	-	-
Multi-alternative	24,412	24,412	-	-
Large Blend	122,109	122,109	-	-
Foreign Large Blend	50,216	50,216	-	-
Emerging Markets Bond	25,338	25,338	-	-
Short Term Bond	26,118	26,118	-	-
Diversified Emerging Markets	25,201	25,201	-	-
Intermediate Term Bond	106,983	106,983	-	-
	<u>520,172</u>	<u>520,172</u>	<u>-</u>	<u>-</u>
Investments measured by net asset value (a)	<u>560,754</u>			
Total Investments	<u>1,080,926</u>			
Beneficial interest in funds held by others				
	<u>365,910</u>	<u>-</u>	<u>-</u>	<u>365,910</u>
Total	<u>\$ 1,446,836</u>	<u>\$ 520,172</u>	<u>\$ -</u>	<u>\$ 365,910</u>

NOTES TO FINANCIAL STATEMENTS

Fair Value Measurements (continued)

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2019:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Mid-Cap	\$ 87,694	\$ 87,694	\$ -	\$ -
Corporate Bonds	51,741	51,741	-	-
Multi-alternative	24,504	24,504	-	-
Large Blend	108,035	108,035	-	-
Foreign Large Blend	51,687	51,687	-	-
Emerging Markets Bond	26,132	26,132	-	-
Short Term Bond	24,405	24,405	-	-
Diversified Emerging Markets	27,069	27,069	-	-
Intermediate Term Bond	100,383	100,383	-	-
	<u>501,650</u>	<u>501,650</u>	<u>-</u>	<u>-</u>
Investments measured by net asset value (a)	1,045,066			
Total Investments	<u>1,546,716</u>			
Beneficial interest in funds held by others	384,501	-	-	384,501
Total	<u>\$ 1,931,217</u>	<u>\$ 501,650</u>	<u>\$ -</u>	<u>\$ 384,501</u>

- (a) In accordance with Subtopic 820-10, certain investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table presents a reconciliation of the Level 3 beneficial interest in assets held by others measured at fair value for the years ended June 30:

	2020	2019
Fair value as of July 1	\$ 384,501	\$ 330,797
Contributions	-	50,000
Investment gain (loss) included in change in net assets	(4,672)	17,159
Fees	(3,705)	(3,537)
Distributions	(10,214)	(9,918)
Fair value as of June 30	<u>\$ 365,910</u>	<u>\$ 384,501</u>

NOTES TO FINANCIAL STATEMENTS

7. Investments Measured Using the Net Asset Value per Share Practical Expedient

The following table summarized investments for which fair value is measured using the net asset value per share practical expedient as of:

June 30, 2020	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Money market treasury portfolio	\$ 21,636	n/a	Daily	None
Prime obligations fund	\$ 539,118	n/a	Daily	None
June 30, 2019	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Money market treasury portfolio	\$ 23,647	n/a	Daily	None
Prime obligations fund	\$ 1,021,419	n/a	Daily	None

8. Property Held for Sale

In May 2018, the Organization listed one of its buildings for sale in an effort to consolidate the majority of its program and administrative operations into a single location. Property held for sale as of June 30, 2020 and 2019 consists of land with a book value of \$128,000 and building and improvements with a net book value of \$390,067 and \$387,887 as of June 30, 2020 and 2019, respectively. The total net book value of \$518,067 and \$515,887 has been recorded as property held for sale as of June 30, 2020 and 2019, respectively, in the accompanying statements of financial position. In August 2020, the Organization's property held for sale was sold for \$908,500, which resulted in a \$339,785 gain on sale, after closing fees. As part of the sale, the Organization executed a promissory note receivable with the buyer for \$658,500. The note accrues interest at 5% per annum and requires monthly principal and interest payments of \$3,535, maturing in August 2021 with a \$647,612 balloon payment. The note is collateralized by a first position deed of trust, security agreement and assignment of leases and rents.

NOTES TO FINANCIAL STATEMENTS

9. Property and Equipment, Net

Property and equipment, net consist of the following as of June 30:

	2020	2019
Land	\$ 85,730	\$ 85,730
Building and improvements	1,191,739	1,765,131
Furniture, equipment and computers	611,763	566,849
Vehicles	48,838	48,838
Construction in progress	713,505	14,868
	<u>2,651,575</u>	<u>2,481,416</u>
Less accumulated depreciation	(802,453)	(1,025,834)
Property and equipment, net	<u>\$ 1,849,122</u>	<u>\$ 1,455,582</u>

During 2020, the Organization demolished an office building at its main location in order to make room for the construction of a new office building better suited to the Organization's needs. The net book value of these assets at the time of demolition was \$266,836. As there were no proceeds of cash from the demolition, a loss on disposal of property and equipment in the amount of \$266,836 is reported in the accompanying statement of activities for the year ended June 30, 2020. Construction in progress as of June 30, 2020 relates to the construction of the new building which is expected to be completed in November 2020.

10. Custodial Liabilities

The Organization had custodial liabilities totaling \$12,131 and \$18,697 as of June 30, 2020 and 2019, respectively, related to its role as a fiscal agent for two unrelated organizations in 2020 and three in 2019.

11. Line of Credit Agreements

In September 2019, the Organization renewed a line of credit agreement for an original amount of \$250,000 which becomes due in November 2020. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 2.00% (5.50% and 7.50% at June 30, 2020 and 2019, respectively) not to be less than 5.50%. The line of credit is collateralized by property as specified in the related Commercial Security Agreement. The line of credit had no outstanding balance as of June 30, 2020, and 2019, respectively. The line of credit agreement contains one restrictive covenant which requires the Organization to have a \$0 balance for a minimum of 30 consecutive days per year. The Organization was in compliance with this restrictive covenant as of June 30, 2020 and 2019, respectively.

In March 2020, the Organization entered into a line of credit agreement for an original amount of \$150,000 which becomes due in April 2021. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 2.00% (5.25% at June 30, 2020). The line of credit is collateralized by property as specified in the related business lending agreement. The line of credit had no outstanding balance as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Line of Credit Agreements (continued)

In March 2020, the Organization entered into a line of credit agreement for an original amount of \$1,600,000 which becomes due in April 2021. The line of credit requires monthly interest only payments with interest at the Prime Rate minus 0.50% (3.50% at June 30, 2020) not to be less than 3.50%. The line of credit is collateralized by property as specified in the commercial pledge agreement. The line of credit had no outstanding balance as of June 30, 2020.

12. Paycheck Protection Program Promissory Note

In April 2020, the Organization entered into a promissory note agreement with a financial institution for an original amount of \$98,000. The loan was made pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which provided for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll and employee benefit expenses of the qualifying business. Per the loan agreement, the Organization was required to apply for loan forgiveness following costs incurred by the Organization during the 8-week period beginning on the date of first disbursement of the loan; however, due to the lender's administrative delays, the Organization applied for forgiveness in September 2020. As of November 4, 2020, the Organization had received approval from the lender and was awaiting a final decision from the Small Business Association ("SBA") regarding their loan forgiveness. The loans and accrued interest may be fully or partially forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its employment levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered payroll period. If the SBA does not confirm forgiveness of the loan or only partly confirms forgiveness of the loan, it will be required to be repaid. In that event, the financial institution would set the terms of repayment on a monthly schedule with a deferral of payments for the first ten months, interest not to exceed 1.00% per annum, and a maturity date of five years from the funding date. Although the Organization expects that it will meet the conditions for forgiveness of the loan, as of November 4, 2020 the Organization cannot assure that the loan will be fully or partly forgiven.

13. Angel Charity Forgivable Loan

In 2012, the Organization entered into a beneficiary agreement with Angel Charity for Children, Inc. ("Angel Charity") for the construction of a 20-bed shelter for homeless youth. In total, Angel Charity reimbursed the Organization \$675,142 for expenditures incurred for the construction of real property. As part of this agreement, the Organization entered into a non-recourse ten-year promissory note collateralized by first deed of trust on the real property. The term of the note shall end ten years from the date of promissory note on December 18, 2023. The note provides that as long as the Organization continues to provide the Children and Youth program at this facility, one-tenth of the note will be forgiven each year. If the Organization ceases to provide these services, the remaining balance shall become immediately due and payable. The Organization intends to provide these services for the ten-year period. As of June 30, 2020 and 2019, the outstanding balance of the Angel Charity forgivable loan was \$270,058 and \$337,572, respectively.

NOTES TO FINANCIAL STATEMENTS

14. Net Assets with Donor Restriction

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2020	2019
Subject to expenditure for specified purpose:		
Counseling	\$ -	\$ 17,500
Information and referral	42,011	36,550
The Center for Community Dialogue	48,284	35,588
Homeless youth services	120,592	98,040
Family housing	2,679,430	155,161
Development	548,537	1,000
Administration	33,930	-
	<u>3,472,784</u>	<u>343,839</u>
Subject to JCFSA spending policy and appropriation:		
Original donor-restricted endowment gift amounts required to be maintained by donor		
Operating Endowment	49,766	49,766
Lacy Endowment – earnings restricted for homeless teens	216,993	216,993
Tucson Foundations Endowment	50,000	50,000
	<u>316,759</u>	<u>316,759</u>
Accumulated investment earnings, which, once appropriated, are expendable to support		
Operations	11,626	14,178
Homeless teens	37,525	53,564
	<u>49,151</u>	<u>67,742</u>
Total	<u>\$ 3,838,694</u>	<u>\$ 728,340</u>

15. Endowments

Changes in endowment net assets for the year ended June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ -	\$ 384,501	\$ 384,501
Investment return			
Investment income	-	2,731	2,731
Net appreciation	-	(11,108)	(11,108)
Total investment return	-	(8,377)	(8,377)
Appropriation of funds for expenditure	-	(10,214)	(10,214)
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 365,910</u>	<u>\$ 365,910</u>

NOTES TO FINANCIAL STATEMENTS

Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2018	\$ -	\$ 330,797	\$ 330,797
Investment return			
Investment income	-	3,705	3,705
Net appreciation	-	9,917	9,917
Total investment return	-	13,622	13,622
Contributions	-	50,000	50,000
Appropriation of funds for expenditure	-	(9,918)	(9,918)
Endowment net assets, June 30, 2019	\$ -	\$ 384,501	\$ 384,501

16. Retirement Plan

The Organization has a 403(b) thrift plan that allows eligible employees to defer pretax annual compensation up to certain limitations imposed by the Internal Revenue Service. The Organization may also make matching contributions to the Plan. To be eligible, employees must be at least 18 years of age. The employer match begins after a year of service for employees at least 21 years of age. The Organization matches 50% of employee contributions up to 4% of annual compensation. The Organization's matching contributions for the years ended June 30, 2020 and 2019 were \$16,864 and \$17,789, respectively.

17. Donated Materials and Services

In-Kind contributions consisted of the following for the years ended June 30:

	2020	2019
Advertising and public relations	\$ 352	\$ 1,361
Health Insurance	1,593	-
Membership, dues and licensing	3,552	1,809
Office supplies	-	13
Other client expenses	1,684	47,045
Professional and outside services	35,478	22,651
Program supplies	9,090	-
Recruitment and staff development	-	189
	<u>\$ 51,749</u>	<u>\$ 73,068</u>

NOTES TO FINANCIAL STATEMENTS

18. Lease Commitments

The Organization leases office equipment for its operation under non-cancelable operating leases expiring at various times through June 2038. Lease expense, including month-to-month leases, for the years ended June 30, 2020 and 2019 totaled \$62,874 and \$23,280, respectively.

The following is a summary of future minimum lease payments under non-cancelable operating leases as of June 30, 2020:

Fiscal Year Ending	Amount
2021	\$ 53,197
2022	43,715
2023	44,340
2024	32,647
2025	8,178

19. Concentrations of Credit Risk***Government Grants and Contracts Revenues***

The Organization derives the majority of its revenues and support from government grants and contracts for various programs. At times, grants and contracts for particular programs may constitute a concentration as defined by the accounting standards. As of June 30, 2020 and 2019, government grant receivables comprised 88% and 89% of total receivables, respectively. For the years ended June 30, 2020 and 2019, government grants and contracts revenue accounted for approximately 47% and 67% of total revenues and other support, respectively.

Cash Deposits at Banks

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the FDIC up to \$250,000. As of June 30, 2020 and 2019, the Organization had \$936,581 and \$384,467 in excess of FDIC insured limits, respectively.

Investments

Investments held by other institutions are insured up to \$500,000, including up to \$250,000 for cash balances per institution, by the Securities Investor Protection Corporation ("SIPC"). As of June 30, 2020 and 2019, the Organization had \$2,362,661 and \$1,046,716, respectively, in excess of SIPC insured limits.

20. Commitments and Contingencies***Program Audits by Funding Agencies***

The Organization is subject to potential program audits by its funding agencies. There is a possibility that the Organization could be liable to these agencies for amounts determined by such future audits. The Organization's management believes that no such liabilities exist as of June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (continued)

Litigation

The Organization is involved in legal proceedings in the normal course of its business operations. The Organization does not believe that any pending or threatened proceeding would have a material adverse effect on its financial position or results of operations.

Solar Services Agreement

On October 17, 2017, the Organization entered into a twenty-year solar services agreement with a Power Supplier. The original agreement allowed the Power Supplier to construct solar equipment on one of the Organization's properties and then sell all the electrical energy generated by the solar equipment, which was estimated to be 1,217,230 kWh over the term of the agreement, to the Organization. The total cost of the solar equipment was \$95,184 and was incurred by the Power Supplier. Beginning on the service commencement date of March 1, 2018, the Organization agreed to purchase an estimated annual quantity of electrical energy to be generated by the solar equipment at a rate of \$0.1325 per kWh to be paid in equal monthly payments for each year. If at the end of each year, it was determined that the Organization used more electrical energy than was estimated for that year, the Organization would be required to immediately pay for the energy used in excess of the estimated amount. If it was instead determined that the Organization used less electrical energy than was estimated for that year, the Power Supplier would credit the amount of unused energy in the next annual period. The original term of the agreement was for twenty years with the option to extend for another two years, and was non-cancellable for the first five years. If after five years the agreement was terminated with proper notification prior to the end of the twenty-year agreement, certain termination fees and removal costs would apply as specified in the agreement. At the end of the twenty-year term, the Organization would have the opportunity to purchase the solar equipment at fair market value but no less than ten percent of the original cost of the solar equipment. The original agreement also requires the Power Supplier to lease the portion of the Organization's property for which the solar equipment resides for a period of twenty-five years at a rate of \$1 per year.

The original agreement was subsequently amended as the Organization agreed to prepay \$87,704 for the entire remaining amount of estimated electrical energy (1,201,428 kWh) to be generated by the solar equipment over the remainder of the original twenty-year solar services agreement at a discounted rate of \$0.073 per kWh. If prior to the end of the twenty-year term of the agreement, the Organization uses all of the originally estimated kWh, the Organization would be required to pay for all additional solar energy used at the rate of \$0.1325 per kWh per the original agreement. As of June 30, 2020 and 2019, prepaid solar electricity of \$78,934 and \$83,319, respectively, was included in prepaids and other current assets in the accompanying statement of financial position. This amount will be expensed over the term of the agreement. For the years ended June 30, 2020 and 2019, the Organization recorded \$4,385 in lease expense related to the solar lease agreement which is included in equipment expense in the accompanying statement of expenses by function and nature.

Construction Services Agreement (Seaver Franks Architects, Inc.)

The Organization entered into an agreement with an architect for design services for a building at the Organization's main location in Tucson, Arizona. The fees for the construction services are \$103,400 plus reimbursable expenses, as defined by the agreement. Through June 30, 2020, construction service fees incurred under the agreement totaled \$108,770 and are included in construction in progress within property and equipment in the accompanying statements of financial position.

NOTES TO FINANCIAL STATEMENTS

Commitments and Contingencies (continued)

Construction Services Agreement (Barker Contracting, Inc.)

The Organization entered into an agreement with a construction company for external building services. The guaranteed maximum price for the construction services are \$2,300,000, as defined by the agreement. Through June 30, 2020, related construction service fees incurred totaled \$550,715 and are included in construction in progress within property and equipment in the accompanying statements of financial position.

21. Subsequent Events

The Organization evaluated subsequent events through November 4, 2020, which represents the date the financial statements were available to be issued and, with the exception of the matters discussed below, concluded that no additional disclosures are required.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Organization.



Keegan Linscott & Associates, PC

Certified Public Accountants
Certified Fraud Examiners
Certified Insolvency & Restructuring Advisors

OUR FAMILY SERVICES, INC.

SINGLE AUDIT REPORTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2020

An independently owned member

RSM US Alliance



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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*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our Family Services, Inc.

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 Our Family Services, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, expenses by function and nature, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

A handwritten signature in blue ink that reads "Kugon Zinscoth & Associates, PC". The signature is written in a cursive, flowing style.

Tucson, Arizona
November 4, 2020

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Our Family Services, Inc.

Report on Compliance for the Major Federal Program

We have audited Our Family Services, Inc.'s (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Organization's major federal program for the year ended June 30, 2020. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on the Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2020 and have issued our report thereon dated November 4, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Tucson, Arizona
November 4, 2020

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed, which are required to be reported in accordance with section 2 CFR 200.516(a)? No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020 (CONTINUED)**

SECTION II – FINANCIAL STATEMENT FINDINGS

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, and abuse related to the financial statements for which *Government Auditing Standards* requires reporting.

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

This section identifies audit findings required to be reported by the 2 CFR 200.516(a), including significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, and material abuse.

No matters were reported.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
CDBG - Entitlement Grants - Cluster:				
U.S. Department of Housing and Urban Development Programs				
Passed through City of Tucson Community Development Block Grants/Entitlement Grants (CDBG) Total for Program	14.218	18832	\$ - -	\$ 90,000 90,000
Total U.S. Department of Housing and Urban Development Programs			\$ -	\$ 90,000
Total CDBG - Entitlement Grants - Cluster			\$ -	\$ 90,000
Other Programs:				
U.S. Department of Agriculture Programs				
Passed through Arizona Department of Education Child and Adult Care Food Program Total for Program	10.558	CTD-13-19-13	\$ - -	\$ 8,120 8,120
Total U.S. Department of Agriculture Programs			\$ -	\$ 8,120
U.S. Department of Housing and Urban Development Programs				
Passed through City of Tucson Emergency Solutions Grant Program	14.231	18806	\$ -	\$ 50,000
Passed through Pima County Emergency Solutions Grant Program Emergency Solutions Grant Program	14.231 14.231	CT-CD-18-*299 CT-CD-18-*237	- -	9,216 40,326
Passed through the Primavera Foundation Emergency Solutions Grant Program Total for Program	14.231	ADES18-206229	- -	60,002 159,544
Continuum of Care Program	14.267	*	-	37,890
Continuum of Care Program	14.267	*	-	42,485
Continuum of Care Program	14.267	*	37,494	247,026
Continuum of Care Program	14.267	*	-	184,323
Continuum of Care Program	14.267	*	-	41,034
Continuum of Care Program	14.267	*	154,916	325,909
Continuum of Care Program	14.267	*	72,577	136,338
Continuum of Care Program	14.267	*	-	66,580
Passed through Pima County Continuum of Care Program Total for Program	14.267	CT-CS-20*078	- 264,987	137,371 1,218,956
Passed through City of Tucson Youth Homelessness Demonstration Project Total for Program	14.276	18868	- -	31,420 31,420
Total U.S. Department of Housing and Urban Development Programs			\$ 264,987	\$ 1,409,920

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services Programs				
Passed through University of Arizona Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	493173	\$ -	\$ 72,633
Total for Program			-	72,633
Passed through Tumbleweed Center for Youth Development Demonstration Grants for Domestic Victims of Human Trafficking	93.327	MOU	-	8,447
Total for Program			-	8,447
Transitional Living for Homeless Youth	93.550		-	71,948
Transitional Living for Homeless Youth	93.550		-	138,955
COVID -19: Transitional Living for Homeless Youth	93.550		-	5,919
Transitional Living for Homeless Youth	93.550		-	115,825
Transitional Living for Homeless Youth	93.550		-	123,120
COVID -19: Transitional Living for Homeless Youth	93.550		-	2,835
Total for Program			-	458,600
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	86,211
Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	98,266
COVID-19: Education and Prevention Grants to Reduce Sexual Abuse of Runaway, Homeless and Street Youth	93.557		-	1,202
Total for Program			-	185,679
Passed through the Primavera Foundation Temporary Assistance for Needy Families	93.558	ADES18-206229	-	167,637
Total for Program			-	167,637
Basic Center Grant	93.623		-	49,987
Basic Center Grant	93.623		-	150,007
COVID-19: Basic Center Grant	93.623		-	3,061
Total for Program			-	203,055
Passed through the Primavera Foundation Social Services Block Grants	93.667	ADES18-206229	-	27,273
Total for Program			-	27,273
Total U.S. Department of Health and Human Services Programs			\$ -	\$ 1,123,324
Total Expenditures of Federal Awards			\$ 264,987	\$ 2,631,364

* Denotes a major program

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Organization under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Organization has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

