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, 2022
(WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2021)

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Keegan
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Our Family Services, Inc., an Arizona nonprofit corporation (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and 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, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization, Inc. as of June 30, 2022 and 2021, and its cash flows for the years then ended and the changes in its net assets for the year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, in 2022, the Organization adopted ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 29, 2022

AUDITED FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2022	2021
Assets		
Current assets		
Cash and cash equivalents	$ 392,902	$ 45,202
Grants and contracts receivable, net	700,749	761,068
Notes receivable	-	640,909
Investments	1,131,732	1,210,225
Investments- other	747,148	1,541,346
Prepaid and other current assets	245,584	241,051
Total current assets	3,218,115	4,439,801
Property and equipment, net	3,561,994	3,702,895
Beneficial interest in funds held by others	422,969	436,126
Total assets	$ 7,203,078	$ 8,578,822
Liabilities		
Current liabilities		
Accounts payable	$ 117,389	$ 120,395
Accrued expenses	221,834	287,474
Deferred revenues	70,908	909
Custodial liabilities	14,314	18,759
Line of credit	7,000	-
Total current liabilities	431,445	427,537
Line of credit	318,949	700,000
Angel Charity forgivable loan	135,030	202,544
Total liabilities	885,424	1,330,081
Net Assets		
Without donor restrictions	3,779,206	4,047,314
With donor restrictions	2,538,448	3,201,427
Total net assets	6,317,654	7,248,741
Total liabilities and net assets	$ 7,203,078	$ 8,578,822

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Summarized Total 2021
Revenues and Other Support				
Government grants and contracts	$ 4,855,324	$ -	$ 4,855,324	$ 4,690,999
Contributions, bequests, and foundation grants	288,264	714,943	1,003,207	1,264,600
Program income	50,061	-	50,061	65,172
Donated materials and services	37,817	-	37,817	44,641
United Way	88,950	-	88,950	71,054
Other revenue and support	35,155	-	35,155	8,282
Investment (loss) income, net	(50,822)	(2,771)	(53,593)	240,494
Loss (gain) on disposal of property and equipment	(1,074)	-	(1,074)	339,796
Forgiveness of PPP promissory note	-	-	-	98,000
Net assets released from restriction	1,375,151	(1,375,151)	-	-
Total revenue and other support	6,678,826	(662,979)	6,015,847	6,823,038
Expenses				
Program services				
Community services	289,839	-	289,839	289,539
Family housing	2,606,150	-	2,606,150	2,969,633
Homeless youth services	2,835,123	-	2,835,123	2,166,336
Total program services	5,731,112	-	5,731,112	5,425,508
Fundraising	341,041	-	341,041	388,048
Management and general	874,781	-	874,781	939,076
Total expenses	6,946,934	-	6,946,934	6,752,632
Change in net assets	(268,108)	(662,979)	(931,087)	70,406
Net assets, beginning of year	4,047,314	3,201,427	7,248,741	7,178,335
Net assets, end of year	$ 3,779,206	$ 2,538,448	$ 6,317,654	$ 7,248,741

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2022

	Community Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Contract employees and personnel costs	$ 209,591	$ 667,168	$ 1,256,930	$ 2,133,689	$ 260,741	$ 650,601	$ 3,045,031
Total personnel	209,591	667,168	1,256,930	2,133,689	260,741	650,601	3,045,031
Advertising and public relations	-	-	-	-	334	240	574
Bad debt	-	-	46,186	46,186	-	-	46,186
Bank fees	134	30	4	168	2,967	10,977	14,112
Client housing	-	1,624,742	802,803	2,427,545	-	-	2,427,545
Equipment	5,674	2,851	18,263	26,788	1,330	8,157	36,275
Facilities	22,593	14,279	73,446	110,318	8,028	22,542	140,888
Insurance	4,743	12,472	27,707	44,922	5,827	15,225	65,974
Membership, dues and licensing	2,549	493	3,895	6,937	8,532	11,554	27,023
Miscellaneous	3,808	1,209	5,181	10,198	10,583	19,355	40,136
Office supplies	1,184	1,248	2,129	4,561	514	5,179	10,254
Other client expenses	6,341	172,800	276,717	455,858	34	155	456,047
Professional and outside services	17,442	65,099	96,846	179,387	30,385	44,829	254,601
Recruitment and staff development	531	40	912	1,483	1,005	51,190	53,678
Subrecipient payments	-	6,324	105,651	111,975	-	-	111,975
Telephone	1,662	6,178	15,738	23,578	1,544	5,982	31,104
Travel and auto	-	5,573	12,486	18,059	-	337	18,396
Volunteer	-	-	-	-	-	-	-
Total expenses before interest and depreciation	276,252	2,580,506	2,744,894	5,601,652	331,824	846,323	6,779,799
Interest	-	-	-	-	-	6,835	6,835
Depreciation	13,587	25,644	90,229	129,460	9,217	21,623	160,300
Total expenses	$ 289,839	$ 2,606,150	$ 2,835,123	$ 5,731,112	$ 341,041	$ 874,781	$ 6,946,934

STATEMENT OF EXPENSES BY FUNCTION AND NATURE
FOR THE YEAR ENDED JUNE 30, 2021

	Community Services	Family Housing	Homeless Youth Services	Total Program Services	Fundraising	Management and General	Total
Contract employees and personnel costs	$ 216,031	$ 827,478	$ 1,138,231	$ 2,181,740	$ 287,806	$ 697,782	$ 3,167,328
Total personnel	216,031	827,478	1,138,231	2,181,740	287,806	697,782	3,167,328
Advertising and public relations	-	-	-	-	13,003	-	13,003
Bad debt	-	-	10,699	10,699	-	125	10,824
Bank fees	90	43	61	194	3,198	6,224	9,616
Client housing	-	1,577,348	547,607	2,124,955	-	-	2,124,955
Equipment	5,151	6,568	20,788	32,507	2,282	7,159	41,948
Facilities	24,756	16,266	45,743	86,765	4,395	22,840	114,000
Insurance	4,341	15,232	19,577	39,150	4,922	11,884	55,956
Membership, dues and licensing	1,617	482	1,996	4,095	23,853	14,069	42,017
Miscellaneous	3,248	3,646	11,149	18,043	10,934	30,456	59,433
Office supplies	805	1,589	2,320	4,714	289	5,208	10,211
Other client expenses	4,211	224,353	131,388	359,952	715	246	360,913
Professional and outside services	16,224	45,912	75,698	137,834	26,742	67,774	232,350
Recruitment and staff development	75	101	134	310	1,000	4,024	5,334
Subrecipient payments	-	227,847	76,261	304,108	-	-	304,108
Telephone	1,772	7,711	21,974	31,457	1,545	9,001	42,003
Travel and auto	146	7,167	9,443	16,756	374	1,074	18,204
Volunteer	5	-	23	28	-	-	28
Total expenses before interest and depreciation	278,472	2,961,743	2,113,092	5,353,307	381,058	877,866	6,612,231
Interest	-	-	-	-	-	11,069	11,069
Depreciation	11,067	7,890	53,244	72,201	6,990	50,141	129,332
Total expenses	$ 289,539	$ 2,969,633	$ 2,166,336	$ 5,425,508	$ 388,048	$ 939,076	$ 6,752,632

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (931,087)	$ 70,406
Adjustments to reconcile change in net assets to net cash used in operating activities		
Provision for bad debt	7,181	-
Write-off of bad debts	39,005	10,824
Depreciation	160,300	129,332
Loss (gain) on disposal of property and equipment	1,074	(339,796)
Net realized and unrealized loss (gain) on investments	140,776	(71,754)
Net realized and unrealized loss (gain) on beneficial interest in funds held by others	2,771	(91,265)
Expiration of Angel Charity Forgivable Loan	(67,514)	(67,514)
Forgiveness of PPP promissory note	-	(98,000)
Contributions restricted for construction of long-lived assets	(667)	(87,779)
Changes in operating assets and liabilities		
Grants and contracts receivable, net	14,133	(111,428)
Prepaid and other current assets	(4,533)	(50,779)
Accounts payable	(3,006)	(160,037)
Accrued expenses	(65,640)	81,965
Deferred revenues	69,999	(138,741)
Custodial liabilities	(4,445)	6,628
Net cash used in operating activities	(641,653)	(917,938)
Cash Flows from Investing Activities		
Collections on notes receivable	640,909	17,591
Proceeds from sale of property held for sale	-	199,363
Purchases of property and equipment	(20,473)	(1,983,105)
Proceeds from sale of investments	1,529,227	749,789
Purchases of investments	(797,312)	(566,945)
Distributions from beneficial interest in funds held by others	10,386	21,400
Contributions and reinvestments in beneficial interest in funds held by others	-	(351)
Net cash provided by (used in) investing activities	1,362,737	(1,562,258)
Cash Flows from Financing Activities		
Collection of contributions restricted for construction of long-lived assets	667	87,779
Proceeds on line of credit	580,000	700,000
Repayments on line of credit	(954,051)	-
Net cash (used in) provided by financing activities	(373,384)	787,779
Net change in cash and cash equivalents	347,700	(1,692,417)
Cash and cash equivalents, beginning of year	45,202	1,737,619
Cash and cash equivalents, end of year	392,902	45,202
Supplemental Schedule of Non-Cash Investing and Financing Activities		
Cash paid for interest	$ 6,835	$ 11,069
Issuance of note receivable in sale of property	$ -	$ 658,500
Expiration of Angel Charity forgivable loan	$ 67,514	$ 67,514
Forgiveness of PPP promissory note	$ -	$ 98,000

NOTES TO FINANCIAL STATEMENTS

1. Organization

Our Family Services, Inc. (the "Organization") is a private non-profit organization incorporated in Arizona to provide housing, community services, and services to teens in transition and families 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:

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 12 to 26 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, 2022 and 2021.

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 years ended June 30, 2022 or 2021.

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 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 center service fees and rental income.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Center Service Fees – Center 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 is recorded. Center service fees totaled $49,626 and $60,506 for the years ended June 30, 2022 and 2021, 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.

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 18). 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, 2022 and 2021, management estimated an allowance for uncollectible accounts of $7,181 and $0, 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

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Investments (continued)
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.

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, 2022, 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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Property and Equipment, Net (continued)

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, 2022, the Organization had not experienced impairment losses on its long-lived assets.

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-then-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.

NOTES TO FINANCIAL STATEMENTS

Summary of Significant Accounting Policies (continued)

Income Tax (continued)
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, 2022 and 2021, the Organization did not recognize any interest and penalties.

Advertising
The Organization expenses advertising costs as incurred.

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, 2021, 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, 2022
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, 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

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Adopted as of June 30, 2022 (continued)
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 adoption of this ASU did not have a significant impact on the financial statements and primarily affected the Organization's presentation of donated materials and services in the accompanying statement of activities and related disclosures (see Note 16).

Not Adopted as of June 30, 2022
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 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.

NOTES TO FINANCIAL STATEMENTS

Recent Accounting Pronouncements (continued)

Not Adopted as of June 30, 2022 (continued)

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.

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:

	2022	2021
Cash and cash equivalents	$ 392,902	$ 45,202
Grants and contracts receivable, net	700,749	761,068
Notes receivable	-	640,909
Investments	1,131,732	1,210,225
Investments - other	747,148	1,541,346
Beneficial interest in funds held by others	422,969	436,126
Total financial assets	3,395,500	4,634,876
Less amounts unavailable for general expenditure within one year, due to:		
Contractual or donor-imposed restrictions		
Custodial liabilities	14,314	18,759
Endowment funds	316,760	316,760
Other donor restrictions	2,221,688	2,884,667
Board designations		
Operating reserve	105,900	140,782
Financial assets available to meet cash needs for general expenditures within one year	$ 736,838	$ 1,273,908

NOTES TO FINANCIAL STATEMENTS

Liquidity and Availability of Resources (continued)

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, 2022 and 2021, the board designated operating reserve had a balance of $105,900 and $140,782, respectively.

5. Notes Receivable

In August 2020, the Organization issued a note receivable to another not-for-profit organization for $658,500 in connection with the sale of one of its buildings, which had a total net book value of $518,067 at the time of sale, sold for $908,500 and resulted in a gain on sale of $339,796, after closing fees, for the year ended June 30, 2021. The note receivable was collateralized by a first position deed of trust, security agreement and assignment of leases and rents, and accrued interest at 5% per annum. Principal and interest were payable in monthly installments of $3,535, with a balloon payment that was collected in February 2022. The note receivable had an outstanding balance of $0 and $640,909 as of June 30, 2022 and 2021, respectively.

6. Investments

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

	2022	2021
Mutual Funds	$ 570,054	$ 649,307
Money Market Treasury Portfolio	21,663	21,644
Prime Obligations Fund	540,015	539,274
Total Investments	$ 1,131,732	$ 1,210,225

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

	2022	2021
Interest and dividend income	$ 96,719	$ 83,070
Realized and unrealized (loss) gain on investments, net	(140,776)	71,754
Investment fees	(6,765)	(5,946)
Total investment (loss) income, net	$ (50,822)	$ 148,878

NOTES TO FINANCIAL STATEMENTS

7. 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 pooledincome 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.

The following table presents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2022:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Mid-Cap	$ 106,325	$ 106,325	$ -	$ -
Corporate Bonds	50,063	50,063	-	-
Multi-alternative	26,924	26,924	-	-
Large Blend	156,479	156,479	-	-
Foreign Large Blend	56,052	56,052	-	-
Emerging Markets Bond	21,839	21,839	-	-
Short Term Bond	24,834	24,834	-	-
Diversified Emerging Markets	24,577	24,577	-	-
Intermediate Term Bond	102,961	102,961	-	-
	570,054	570,054	-	-
Investments measured by net asset value (a)	561,678			
Total Investments	1,131,732			
Beneficial interest in funds held by others	422,969	-	-	422,969
Total	$ 1,554,701	$ 570,054	$ -	$ 422,969

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, 2021:

Description	Fair Value	Level 1	Level 2	Level 3
Mutual funds				
Mid-Cap	$ 118,162	$ 118,162	$ -	$ -
Corporate Bonds	59,157	59,157	-	-
Multi-alternative	27,566	27,566	-	-
Large Blend	173,163	173,163	-	-
Foreign Large Blend	68,102	68,102	-	-
Emerging Markets Bond	28,011	28,011	-	-
Short Term Bond	26,607	26,607	-	-
Diversified Emerging Markets	33,606	33,606	-	-
Intermediate Term Bond	114,933	114,933	-	-
	649,307	649,307	-	-
Investments measured by net asset value (a)	560,918			
Total Investments	1,210,225			
Beneficial interest in funds held by others	436,126	-	-	436,126
Total	$ 1,646,351	$ 649,307	$ -	$ 436,126

(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:

	2022	2021
Fair value as of July 1	$ 436,126	$ 365,910
Contributions	-	-
Investment gain included in change in net assets	1,210	95,607
Fees	(3,981)	(3,991)
Distributions	(10,386)	(21,400)
Fair value as of June 30	$ 422,969	$ 436,126

NOTES TO FINANCIAL STATEMENTS

8. 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, 2022	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Money market treasury portfolio	$ 21,663	n/a	Daily	None
Prime obligations fund	$ 540,015	n/a	Daily	None

June 30, 2021	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Money market treasury portfolio	$ 21,644	n/a	Daily	None
Prime obligations fund	$ 539,274	n/a	Daily	None

9. Property and Equipment, Net

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

	2022	2021
Land	$ 85,730	$ 85,730
Building and improvements	3,673,188	3,691,788
Leasehold improvements	24,219	24,219
Furniture and equipment	143,654	140,998
IT hardware and software	237,985	236,736
Vehicles	48,838	48,838
	4,213,614	4,228,309
Less accumulated depreciation	(651,620)	(525,414)
Property and equipment, net	$ 3,561,994	$ 3,702,895

NOTES TO FINANCIAL STATEMENTS

10. Custodial Liabilities

The Organization had custodial liabilities totaling $14,314 and $18,759 as of June 30, 2022 and June 30, 2021, respectively, related to its role as a fiscal agent for two unrelated organizations.

11. Line of Credit Agreements

In March 2020, the Organization entered into a line of credit agreement, as amended, for an original amount of $150,000 which was originally due in August 2022. In October 2022, the agreement was amended to extend the due date to February 2024. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 2.00% (6.75% and 5.25% at June 30, 2022 and 2021, respectivly). The line of credit is collateralized by property as specified in the related business lending agreement. The line of credit had an outstanding balance of $50,000 and $0 as of June 30, 2022 and 2021, respectively.

In March 2020, the Organization entered into a line of credit agreement, as amended, for an original amount of $1,600,000 which was originally due in August 2022. In October 2022, the agreement was amended to extend the due date to February 2024. The original agreement required monthly interest only payments with interest at the Prime Rate minus 0.50% (4.25% and 3.50% at June 30, 2022 and 2021) not to be less than 3.50%. The amended agreement requires monthly principal payments of $1,000, plus accrued interest with interest at the Prime Rate minus 0.50% (4.25% and 3.50% at June 30, 2022 and 2021), beginning in December 2022 with the remaining principal balance plus unpaid accrued interest due at maturity. The line of credit is collateralized by property as specified in the commercial pledge agreement. The line of credit had an outstanding balance of $275,949 and $700,000 as of June 30, 2022 and 2021, respectively.

Future maturities of the line of credit agreements are as follows as of June 30, 2022:

2023	$	7,000
2024		318,949
Total	$	325,949

12. 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, 2022 and 2021, the outstanding balance of the Angel Charity forgivable loan was $135,030 and $202,544 , respectively.

NOTES TO FINANCIAL STATEMENTS

13. Net Assets with Donor Restriction

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

	2022	2021
Subject to expenditure for specified purpose:		
Information and referral	$ 61,026	$ 52,841
The Center for Community Dialogue	12,306	61,424
Homeless youth services	299,692	271,025
Family housing	1,731,870	2,329,469
Development	3,800	2,700
Administration	6,785	47,842
	2,115,479	2,765,301
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	216,994	216,994
Tucson Foundations Endowment	50,000	50,000
	316,760	316,760
Accumulated investment earnings, which, once appropriated, are expendable to support		
Operations	27,746	28,633
Homeless teens	78,463	90,733
	106,209	119,366
Total	$ 2,538,448	$ 3,201,427

14. Endowments

Changes in endowment net assets for the year ended June 30, 2022:

	With Donor Restrictions	Total
Endowment net assets, June 30, 2021	$ 436,126	$ 436,126
Investment return		
Change in beneficial interest	(2,771)	(2,771)
Total investment return	(2,771)	(2,771)
Appropriation of funds for expenditure	(10,386)	(10,386)
Endowment net assets, June 30, 2022	$ 422,969	$ 422,969

NOTES TO FINANCIAL STATEMENTS

Endowments (continued)

Changes in endowment net assets for the year ended June 30, 2021:

	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	$ 365,910	$ 365,910
Investment return		
Change in beneficial interest	91,616	91,616
Total investment return	91,616	91,616
Appropriation of funds for Expenditure	(21,400)	(21,400)
Endowment net assets, June 30, 2021	$ 436,126	$ 436,126

15. 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, 2022 and 2021 were $20,765 and $18,317, respectively.

16. Donated Materials and Services

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

	2022	2021
Membership, dues and licensing	$ 2,030	$ 1,629
Other client expenses	806	2,480
Professional and outside services	16,060	22,684
Program supplies	18,921	9,885
Maintenance services	-	7,963
	$ 37,817	$ 44,641

For the years ended June 30, 2022 and 2021, the Organization recognized contributed nonfinancial assets within revenue, to include contributed membership, dues and licensing, other client expenses, professional and outside services, program supplies and recruitment and staff development services. Unless otherwise noted, contributed nonfinancial assets were not monetized and did not have donor-imposed restrictions.

Membership, dues and licensing – The Organization receives a portion of its annual membership fees for donated employee benefits consulting, which are allocated to all activities within the Organization. These donated membership fees are valued based on the quantity and market value of fees waived.

NOTES TO FINANCIAL STATEMENTS

Donated Materials and Services (continued)

Other client expenses and program supplies – The Organization receives donated items such as clothing, toiletries, food and other household items, which are provided to the Organization's clients or used in the provisions of services to clients primarily as part of its family housing and homeless youth services programs. These items are valued based on the quantity of items received and the value claimed by the donor.

Professional and outside services and maintenance services – The Organization receives donated services from community professionals primarily for IT and maintenance of property and equipment, which are allocated to all activities within the Organization. The services are valued based on the quantity and market value of the services received, if they had been purchased.

17. 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, 2022 and 2021 totaled $75,036 and $65,742, respectively.

The following is a summary of future minimum lease payments under non-cancelable operating leases as of June 30, 2022:

Fiscal Year Ending	Amount
2023	$ 43,216
2024	12,775
2025	5,668
2026	5,668
2027	4,385

18. 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, 2022 and 2021, government grant receivables comprised 90% and 86% of total receivables, respectively. For the years ended June 30, 2022 and 2021, government grants and contracts revenue accounted for approximately 81% and 69% 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, 2022 and 2021, the Organization had $67,177 and $0, respectively, in excess of FDIC insured limits.

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, 2022 and 2021, the Organization had $1,378,880 and $2,251,571, respectively, in excess of SIPC insured limits.

NOTES TO FINANCIAL STATEMENTS

19. 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, 2022.

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, 2022 and 2021, prepaid solar electricity of $70,163 and $74,549, 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, 2022 and 2021, 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.

20. Subsequent Events

The Organization evaluated subsequent events through November 29, 2022, which represents the date the financial statements were available to be issued and, concluded that no additional disclosures are required.