Consolidated Financial Statements,
Schedule of Expenditures of Federal Awards, and
Reports Required by Government Auditing Standards and
OMB Circular A-133
June 30, 2013

Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona

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Independent Auditor's Report

To the Board of Directors
Save the Family Foundation of Arizona and
A.R.M. of Save the Family Foundation of Arizona
Mesa, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona (non-profit Organizations), which comprise the consolidated statements of financial position as of June 30, 2013 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona as of June 30, 2013 and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter-Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information on pages 15 through 16 is presented for the purpose of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

Eide Bailly LLP

Phoenix, Arizona
January 24, 2014

Assets	
Current Assets	
Cash and cash equivalents	$ 662,239
Current portion of promises to give receivable	281,118
Governmental grants receivable	256,350
Investment in affiliate	300,379
Prepaid expenses and other current assets	20,932
Inventory	12,533
Total current assets	1,533,551
Promises to give receivable, net	118,318
Property and equipment, net	10,664,612
Total assets	$ 12,316,481
Liabilities and Net Assets	
Current Liabilities	
Accounts payable	$ 43,222
Accrued expenses	235,253
Line of credit payable	53,180
Current maturities of notes payable	20,567
Total current liabilities	352,222
Notes Payable, Less Current Maturities	392,091
Total liabilities	744,313
Net Assets	
Unrestricted	11,107,408
Temporarily restricted	464,760
Total net assets	11,572,168
Total liabilities and net assets	$ 12,316,481

	Unrestricted	Temporarily Restricted	Total
Support, Revenue and Gains			
Government grants	$ 2,409,258	$ -	$ 2,409,258
United Way contributions	36,592	143,398	179,990
Contributions	890,883	349,562	1,240,445
In-kind contributions	532,586	-	532,586
Client and management fees	99,618	-	99,618
Rental income	816,907	-	816,907
Thrift Store revenue			
Contributions of merchandise	120,339	-	120,339
Sales of donated merchandise	120,339	-	120,339
Less: value of merchandise sold	(120,339)	-	(120,339)
Revenue from Thrift Store	120,339	-	120,339
Fundraising events			
Gross fundraising events revenue	74,501	-	74,501
Less: direct donor benefit costs	(17,825)	-	(17,825)
Net fundraising events revenue	56,676	-	56,676
Miscellaneous	165,317	-	165,317
Gain on sale of property	89,563	-	89,563
	5,217,739	492,960	5,710,699
Net assets released from restrictions	234,114	(234,114)	-
Total support, revenue and gains	5,451,853	258,846	5,710,699
Expenses			
Program services	4,025,979	-	4,025,979
Management and general	303,482	-	303,482
Fundraising	738,705	-	738,705
Total expenses	5,068,166	-	5,068,166
Change in Net Assets	383,687	258,846	642,533
Net Assets, Beginning of Year	10,723,721	205,914	10,929,635
Net Assets, End of Year	$ 11,107,408	$ 464,760	$ 11,572,168

	Program Services					Supporting Services		
	Transitional Housing	FACES	Rapid Rehousing	A.R.M/ Property Management	Total Program Services	Management and General	Fundraising	Total
Salaries and employee related expense	$ 666,731	$ 221,145	$ 188,227	$ 277,581	$ 1,353,684	$ 175,738	$ 436,092	$ 1,965,514
Depreciation	37,978	12,598	10,506	370,877	431,959	9,756	25,152	466,867
Direct assistance to individuals	309,313	94,991	117,275	-	521,579	-	-	521,579
Direct donor benefit costs	-	-	-	-	-	-	17,825	17,825
Direct unit costs	495,460	-	158,023	550,800	1,204,283	-	-	1,204,283
Equipment	29,022	11,000	7,978	13,151	61,151	19,222	20,410	100,783
Materials and supplies	9,181	3,800	2,033	54,236	69,250	9,335	8,546	87,131
Operating expenses	14,309	16,748	5,223	43,036	79,316	20,183	37,646	137,145
Other program expenses	5,652	24,152	45	83,826	113,675	-	-	113,675
Professional and outside services	27,255	15,471	6,317	21,624	70,667	56,795	175,782	303,244
Space and occupancy	18,462	9,711	4,994	27,672	60,839	5,121	25,071	91,031
Travel	21,299	18,630	6,519	13,128	59,576	7,332	10,006	76,914
Total functional expense	1,634,662	428,246	507,140	1,455,931	4,025,979	303,482	756,530	5,085,991
Less direct donor benefit costs	-	-	-	-	-	-	(17,825)	(17,825)
Total functional expense reported in Statement of Activities	$ 1,634,662	$ 428,246	$ 507,140	$ 1,455,931	$ 4,025,979	$ 303,482	$ 738,705	$ 5,068,166

Cash Flows from Operating Activities	
Change in net assets	$ 642,533
Adjustments to reconcile change in net assets to net cash from operating activities	
Depreciation	466,867
Gain on sale of property and equipment	(89,563)
Change in discount on promises to give receivable	6,251
Change in assets and liabilities	
Governmental grants receivable	249,340
Promises to give receivable	(262,301)
Prepaid expenses and other current assets	3,478
Accounts payable	10,576
Accrued expenses	7,587
Other liabilities	(69,290)
Net Cash from Operating Activities	965,478
Cash Flows from Investing Activities	
Purchase of property and equipment	(682,504)
Proceeds from sale of property and equipment	119,000
Net Cash used for Investing Activities	(563,504)
Cash Flows from Financing Activities	
Gross payments on line of credit	(881,306)
Gross advances from line of credit	739,813
Payments on notes payable	(26,632)
Net Cash used for Financing Activities	(168,125)
Net Change in Cash and Cash Equivalents	233,849
Cash and Cash Equivalents, Beginning of Year	428,390
Cash and Cash Equivalents, End of Year	$ 662,239
Supplemental Disclosure of Cash Flow Information	
Interest paid	$ 28,345

Note 1 - Nature of Operations and Significant Accounting Policies

Principal Business Activities

Save the Family Foundation of Arizona (STF) is an Arizona non-profit corporation which provides transitional housing and permanent housing services to needy and homeless families. Primary sources of revenue are governmental funding and donations.

Affordable Rental Movement (ARM) of Save the Family Foundation of Arizona was formed in 1992 to develop permanent affordable housing rental opportunities for low income families.

STF and ARM are collectively referred to herein as Save the Family.

The major programs of STF and ARM include:

Transitional Housing
- Scattered-site housing units for housing homeless families for up to 24 months

Family, Adult and Children's Empowerment Services (FACES)
- Financial literacy, intervention/prevention education, workforce development, professional clothing, household furnishings, supplemental food, and client transportation. Legal, dental and vision services are provided through volunteer attorneys and physicians.

Rapid Rehousing Project – Next Step
- Financial assistance and services to prevent individuals and families from becoming homeless, and to quickly re-house and stabilize those experiencing homelessness.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Unrestricted Net Assets – Net assets available for use in general operations.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or actions of Save the Family Foundation and/or the passage of time.

Save the Family reports contributions as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets whose use it limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by action of Save the Family Foundation.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Realized and unrealized gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor-stipulated purposes have been fulfilled, and/or the stipulated time has elapsed, are reported as reclassifications between the applicable classes of net assets

Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Principles of Consolidation

ARM is controlled by STF; therefore the financial statements of STF have been consolidated with ARM. All significant interagency accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

For purposes of reporting cash flows, Save the Family considers all highly-liquid investments with original maturities of three months or less to be cash equivalents.

Government Fees and Grants

Save the Family recognizes amounts received from contracts and grants as earned when the services are rendered under a unit of service contract. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by Save the Family with the terms of the contract. Save the Family has contracts with the cities of Mesa, Scottsdale, and Chandler, as well as the Town of Gilbert, Maricopa County, and HUD. These grants represent approximately 42% of Save the Family’s revenues for the year ended June 30, 2013.

Concentrations of Credit Risk

Cash includes cash held in checking, savings, and money market accounts. Save the Family, at times, maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation. Save the Family also maintains cash at a brokerage firm that is SIPC insured.

Receivables

Save the Family’s receivables consist primarily of amounts due from government agencies. Save the Family does not require collateral for receivable balances and does not charge interest on receivables that are past due. Receivable balances are considered to be past due if not paid within the invoice's stated terms, which vary by agency. Management has determined all amounts to be collectable and therefore an allowance for receivables is not deemed necessary.

Inventory

Inventory consists of donated items held for resale in the thrift store and is valued based on the previous three months’ sales, which management believes approximates fair value.

Donated Goods, Facilities and Services

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

- The services require specialized skills, and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

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

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promise to give are received. In subsequent years, amortization of the discount is included in contribution revenue in the consolidated statement of activities. Conditional promises to give are not recognized as support until the conditions are substantially met.

Promises to give are stated at unpaid balances, net of discounts, less an allowance for doubtful accounts as deemed necessary. Save the Family provides for losses on contributions and accounts receivable using the allowance method. The allowance is based on experience, knowledge of the donors, the industry, and other circumstances which may affect the ability of donors to meet their obligations. It is Save the Family's policy to charge off uncollectable promises to give and accounts receivable when management determines collection is doubtful. Management considers receivables at June 30, 2013 to be fully collectable and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition or fair market value at the date of donation in the case of gifts. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Donated or purchased property and equipment are accounted for as unrestricted net assets. Also included in this classification are amounts designated by the Board of Directors for capital expenditures. Depreciation of property and equipment is computed using the straight line method over the estimated useful lives of the assets, which range from five to 30 years. Amortization of leasehold improvements is computed using the straight line method over the estimated useful life of the improvements, which is five years. Save the Family's capitalization policy requires individual assets to be capitalized if the original cost or fair market value at date of donation exceeds $5,000. Maintenance and repairs are charged to operations when incurred.

Save the Family Foundation reviews its property and equipment whenever events indicate that the carrying amount of the asset many not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment loss was recorded for the year ended June 30, 2013.

Advertising Costs

Advertising costs are expensed as incurred. Advertising expense was $1,831 for the year ended June 30, 2013.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Both STF and ARM are organized as Arizona non-profit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3), qualify for charitable contributions deductible under Section 170, and have been determined not to be private foundations under Section 509(a)(1). The organizations are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. The organizations have determined they are not subject to unrelated business income tax and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Management believes that it has appropriate support for any tax positions taken affecting the organization's annual filing requirements, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Save the Family would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 may differ from these estimates.

Subsequent Events

Save the Family has evaluated subsequent events through January 24, 2014January 24, 2014, the date which the financial statements were available to be issued.

Note 2 - Promises to Give Receivable

Contributions receivable consisted of the following as of June 30, 2013:

Valley of the Sun United Way	$	83,498
Mesa United Way		59,900
Bank of America		100,000
Board Members of Save the Family Foundation		162,289
Discount on promises to give receivable		(6,251)
Total promises to give receivable	$	399,436

Future schedule of payments is as follows:

Year ending June 30,		
2014	$	281,118
2015		39,220
2016		39,020
2017		39,020
2018		7,309
Total future payments	$	405,687

Note 3 - Investment in Affiliate

Investment in affiliate consists of cash contributions to an affordable multifamily housing partnership where ARM is the general partner. Investment value is adjusted by ARM's portion of the partnership's income/loss each year. ARM has a .01% ownership interest in the affiliate.

Note 4 - Property and Equipment

Property and equipment consisted of the following as of June 30, 2013:

Land	$	2,453,807
Buildings		10,550,603
Building improvements		1,106,029
Appliances		87,571
Equipment and furniture		109,597
Vehicles		147,750
Total property and equipment		14,455,357
Less accumulated depreciation and amortization		(3,790,745)
Property and equipment, net	$	10,664,612

Note 5 - Line of Credit Payable

STF has a revolving line of credit with a limit of $300,000 and a maturity date of February 16, 2014. Interest advances on the line of credit are payable monthly at the bank's prime rate plus 0.5% with floor rate of 5% (5% at June 30, 2013). There were no outstanding advances on the line as of June 30, 2013. ARM has a revolving line of credit with a limit of $800,000 and maturity date of February 16, 2014. Advances on the line of credit are payable monthly at bank’s prime rate plus 0.5% with floor rate of 5% (5% at June 30, 2013). The outstanding balance was $53,180 as of June 30, 2013.

In conjunction with the line of credit agreements, STF and ARM have agreed to comply with certain restrictive covenants which include, among others, requirements related to debt service coverage ratio and current ratio. STF and ARM were in compliance with those covenants as of June 30, 2013. Both lines of credit are secured by real property, inventory, and equipment.

Note 6 - Notes Payable

Notes payable consisted of the following as of June 30, 2013:

Note payable to a bank due in 60 monthly principal and interest payments of $541, including interest at 6.95%, with a final payment due August 2013. The note is secured by a vehicle.	$	1,072
Unsecured note payable to an individual due in 60 principal-only monthly payments of $1,000 and 36 principal-only monthly payments of $1,257 with a final payment due December 2019.		92,235
Note payable to a financial institution due in 119 monthly principal and interest payments of $616, including interest at 5.5%, with a final balloon payment of $74,698 due December 2020. The note is secured by real property.		94,219
Note payable to a financial institution due in 119 monthly principal and interest payments of $1,507, including interest at 5.75%, with a final balloon payment of $179,572 due December 2020. The note is secured by real property.		225,132
		412,658
Less current maturities		(20,567)
	$	392,091

Future maturities of notes payable are as follows:

Year ending June 30,		
2014	$	20,567
2015		19,932
2016		20,394
2017		22,422
2018		24,478
Thereafter		304,865
Total future maturities	$	412,658

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net asset activity was as follows for the year ended June 30, 2013:

	Beginning Balance	Contributions	Releases	Ending Balance
Purpose restriction:				
Server/accounting	$ 9,328	$ -	$ (9,328)	$ -
Career development	2,000	-	(2,000)	-
Shelter plus care	33,200	-	(8,300)	24,900
Staff payroll and training	-	40,000	(37,100)	2,900
Timing restriction	-	262,288	-	262,288
Timing and purpose restriction:				
United Way	143,386	143,398	(143,386)	143,398
Other programs	18,000	47,274	(34,000)	31,274
	$ 205,914	$ 492,960	$ (234,114)	$ 464,760

Note 8 - In-Kind Revenue

In-kind revenue is reported in the consolidated statement of activities and consolidated statement of functional expenses as follows for the year ended June 30, 2013:

	Program Services	Management and General	Fundraising	Total
Direct assistance to individuals	$ 438,413	$ -	$ -	$ 438,413
Professional and outside services	32,945	-	10,948	43,893
Materials and supplies	50,280	-	-	50,280
Total in-kind expense	$ 521,638	$ -	$ 10,948	$ 532,586

Note 9 - Contingencies

During 2011, Save the Family received donated residential property. Under the terms of the governmental contract, if Save the Family fails to allow only low-income households to reside in the property, the title of the property will revert to the governmental entity. This contingency is in effect through February 2031. Save the Family intends to operate the property in accordance with the terms of the agreement; therefore, no liability relating to a potential future reversion of title has been recorded in the consolidated financial statements.

Other properties acquired by STF and ARM with grant funds are encumbered with ongoing restrictions that preclude STF or ARM from using the acquired properties for purposes other than transitional or permanent housing. Should such properties be sold or used for disallowed purposes, all or part of the grant funds may have to be returned.

June 30, 2013

Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona

	Save the Family Foundation of Arizona	A.R.M. of Save the Family Foundation of Arizona	Consolidated Eliminations	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 578,840	$ 83,399	$ -	$ 662,239
Current portion of promises to give receivable	281,118	-	-	281,118
Governmental grants receivable	109,533	146,817	-	256,350
Investments	-	300,379	-	300,379
Prepaid expenses and other current assets	20,932	-	-	20,932
Inventory	12,533	-	-	12,533
Total current assets	1,002,956	530,595	-	1,533,551
Promises to Give Receivable, Net	118,318	-	-	118,318
Property and Equipment, Net	1,779,846	8,884,766	-	10,664,612
Total assets	$ 2,901,120	$ 9,415,361	$ -	$ 12,316,481
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 31,377	$ 11,845	$ -	$ 43,222
Accrued expenses	203,612	31,641	-	235,253
Line of credit payable	-	53,180	-	53,180
Current maturities of notes payable	20,567	-	-	20,567
Total current liabilities	255,556	96,666	-	352,222
Notes Payable, Less Current Maturities	392,091	-	-	392,091
Total liabilities	647,647	96,666	-	744,313
Net Assets				
Unrestricted	1,813,613	9,293,795	-	11,107,408
Temporarily restricted	439,860	24,900	-	464,760
Total net assets	2,253,473	9,318,695	-	11,572,168
Total liabilities and net assets	$ 2,901,120	$ 9,415,361	$ -	$ 12,316,481

	Save the Family Foundation of Arizona	A.R.M of Save the Family Foundation of Arizona	Consolidated Eliminations	Total
Support, Revenue and Gains				
Government grants	$ 1,538,826	$ 870,432	$ -	$ 2,409,258
United Way contributions	179,990	-	-	179,990
Contributions	1,240,445	-	-	1,240,445
In-kind contributions	475,948	56,638	-	532,586
Client and management fees	622,279	-	(522,661)	99,618
Rental income	10,590	806,317	-	816,907
Thrift Store sales				
Contributions of merchandise	120,339	-	-	120,339
Sales of donated merchandise	120,339	-	-	120,339
Less: value of merchandise sold	(120,339)	-	-	(120,339)
Revenue from Thrift Store	120,339	-	-	120,339
Fundraising events				
Gross fundraising events revenue	74,501	-	-	74,501
Less: direct donor benefit costs	(17,825)	-	-	(17,825)
Net fundraising events revenue	56,676	-	-	56,676
Miscellaneous	10,052	155,265	-	165,317
Gain on sale of property	-	89,563	-	89,563
	4,255,145	1,978,215	(522,661)	5,710,699
Expenses				
Salaries and employee-related expenses	1,965,514	-	-	1,965,514
Depreciation	95,990	370,877	-	466,867
Direct assistance to individuals	521,579	-	-	521,579
Direct unit costs	667,206	537,077	-	1,204,283
Equipment	99,507	1,276	-	100,783
Materials and supplies	35,705	51,426	-	87,131
Operating expenses	4,603	132,542	-	137,145
Other program expenses	113,675	-	-	113,675
Professional and outside services	286,773	539,132	(522,661)	303,244
Space and occupancy	79,030	12,001	-	91,031
Travel	71,367	5,547	-	76,914
	3,940,949	1,649,878	(522,661)	5,068,166
Change in Net Assets	314,196	328,337	-	642,533
Net Assets, Beginning of Year	1,939,277	8,990,358	-	10,929,635
Net Assets, End of Year	$ 2,253,473	$ 9,318,695	$ -	$ 11,572,168

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Directors
Save the Family Foundation of Arizona and
A.R.M. of Save the Family Foundation of Arizona
Mesa, Arizona

We have audited, 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, the financial statements of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona (collectively referred to as Save the Family), which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2014.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered Save the Family'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 Save the Family's internal control. Accordingly, we do not express an opinion on the effectiveness of Save the Family's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting 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 yet been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether Save the Family's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 non-compliance 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Phoenix, Arizona
January 24, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by *OMB Circular A-133*

Board of Directors
Save the Family Foundation of Arizona and
A.R.M. of Save the Family Foundation of Arizona
Mesa, Arizona

Report on Compliance for Each Major Federal Program
We have audited Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona's (collectively referred to as Save the Family) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Save the Family's major federal programs for the year ended June 30, 2013. Save the Family's major federal programs are 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on the compliance for each of Save the Family'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the 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 Save the Family'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 Save the Family's compliance.

Opinion on Each Major Federal Program
In our opinion, Save the Family complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified above for the year ended June 30, 2013.

Report on Internal Control over Compliance
Management of Save the Family is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Save the Family's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine that auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Save the Family'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, non-compliance 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 non-compliance with a compliance requirement 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Phoenix, Arizona
January 24, 2014

Federal Grantor/Pass Through Agency/Program	Federal CFDA Number		Pass-through Grantor's Number		Federal Expenditure
U.S. Department of Housing and Urban Development					
Direct Programs					
Supportive Housing Program	14.235		AZ0096B9T021104		$ 159,021
Supportive Housing Program	14.235		AZ0097B9T021104		356,071
Supportive Housing Program	14.235		AZ0096L9T021203		81,173
Supportive Housing Program	14.235		AZ0097L9T021205		72,649
Subtotal direct programs					668,914
Passed-through the City of Mesa:					
HOME Investment Partnership Program	14.239	(a)	2116-4130-11		2,929
HOME Investment Partnership Program	14.239	(a)	13000119		1,172
CDBG Community Development Block Grant	14.218	(b)	2-594-12		90,734
Passed-through the City of Chandler:					
CDBG Community Development Block Grant	14.218	(b)	CD1213-07	*	40,000
CDBG Community Development Block Grant	14.218	(b)	CD1213-08	*	10,000
CDBG Community Development Block Grant	14.218	(b)	NSP1	*	42,603
CDBG Community Development Block Grant	14.218	(b)	NSP3	*	298,470
Passed-through the City of Scottsdale:					
CDBG Community Development Block Grant	14.218	(b)	2012-066-COS		25,000
CDBG Community Development Block Grant	14.218	(b)	2012-067 COS		10,000
HOME Investment Partnership Program	14.239	(a)	2010-070-COS		24,057
Passed-through Maricopa County:					
Emergency Shelter Grants Program	14.231		Serial 10031-RFP		27,000
HOME Investment Partnership Program	14.239	(a)	C-22-13-015-3-00		336,954
HOME Investment Partnership Program	14.239	(a)	C-22-11-074-3-00		16,293
Passed-through Town of Gilbert:					
HOME Investment Partnership Program	14.239	(a)	2012-2105-0070		149,126
Passed-through UMOM:					
Rapid Re-housing Supportive Housing Program (ARRA)	14.257		AZ0049B9T020800	*	286,430
Subtotal passed-through programs					1,360,768
Total U.S. Department of Housing and Urban Development					2,029,682

U.S. Department of Veterans Affairs			
Passed-through UMOM:			
Supportive Services for Veteran Families Program	64.033	12-AZ-063	123,152
U.S. Department of Health and Human Services			
Passed-through Programs			
Temporary Assistance for Needy Families	93.558	DE0-70064-009	104,408
Social Services Block Grant	93.667	DE0-70064-009	29,666
Total U.S. Department of Health and Human Services			134,074
Total Expenditures of Federal Awards			$2,286,908
Sum of (a) Total CFDA 14.239			$ 530,531
Sum of (b) Total CFDA 14.218			$ 516,807

*Denotes major program

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Save the Family*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance.*

Note 3 - Sub-Recipients

There were no sub-recipients of federal awards during the year ended June 30, 2013.

I. Summary of Auditor’s Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA number
CDBG Community Development Block Grant	14.218
Homeless Prevention and Rapid Re-Housing Supportive Housing Program	14.257

Dollar threshold used to distinguish between type A and type B programs	$ 300,000
Auditee qualified as low-risk auditee?	Yes

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

IV. Summary Schedule of Prior Year Findings

There were no findings for the year ended June 30, 2012.