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

CONSOLIDATED FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION AND SINGLE AUDIT REPORTS

Year Ended June 30, 2015

CONTENTS

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Independent Auditors' 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 (the Organization, nonprofit corporations), which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

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*, the consolidating statement of financial position and the consolidating statement of activities are presented for purposes of additional analysis and are 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2016, on our consideration of the Organization's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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.

Fester & Chapman P.C.

January 22, 2016

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Current assets:	
Cash	$ 263,913
Grants receivable	995,818
Current portion of promises to give receivable	149,378
Prepaid expenses	8,944
Total current assets	1,418,053
Promises to give receivable, net	105,973
Long-term notes receivable from affiliate	2,034,288
Property and equipment, net	10,617,084
Investment in affiliate	300,380
Total assets	$ 14,475,778

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 26,509
Accrued expenses	314,423
Lines of credit	670,702
Current maturities of notes payable	30,344
Total current liabilities	1,041,978
Note payable, less current maturities	1,356,579
Total liabilities	2,398,557
Net assets:	
Unrestricted	11,796,763
Temporarily restricted	280,458
Total net assets	12,077,221
Total liabilities and net assets	$ 14,475,778

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue, support and loss:			
Government grants	$ 2,223,716		$ 2,223,716
United Way contributions	30,642	$ 100,000	130,642
Contributions	937,243	98,836	1,036,079
In-kind contributions	860,502		860,502
Client and management fees	225,974		225,974
Rental income	937,919		937,919
Miscellaneous	132,289		132,289
Loss on sale of property	(69,394)		(69,394)
Thrift store revenue:			
Contribution of merchandise	133,363		133,363
Sales of donated merchandise	133,363		133,363
Less: value of merchandise sold	(133,363)		(133,363)
Revenue from thrift store	133,363		133,363
Fundraising events:			
Gross fundraising events revenue	143,755		143,755
Less: direct donor benefit cost	(24,625)		(24,625)
Net fundraising events revenue	119,130		119,130
Net assets released from restrictions	445,181	(445,181)	
Total revenue, support and loss	5,976,565	(246,345)	5,730,220
Expenses:			
Program services:			
Transitional housing	2,031,818		2,031,818
FACES	398,259		398,259
Rapid rehousing	865,603		865,603
A.R.M./Property Management	1,507,487		1,507,487
Total program expenses	4,803,167		4,803,167
Management and general	396,414		396,414
Fundraising	803,633		803,633
Total expenses	6,003,214		6,003,214
Change in net assets	(26,649)	(246,345)	(272,994)
Net assets, beginning of year	11,823,412	526,803	12,350,215
Net assets, end of year	$ 11,796,763	$ 280,458	$ 12,077,221

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	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	$ 806,084	$ 176,434	$ 249,668	$ 342,225	$ 1,574,411	$ 197,912	$ 525,359	$ 2,297,682
Depreciation	34,386	7,311	10,627	398,159	450,483	8,495	22,714	481,692
Direct assistance to individuals	420,988	121,358	542,710	63,075	1,148,131			1,148,131
Direct unit costs	499,054			496,353	995,407			995,407
Equipment	32,856	4,408	5,496	6,480	49,240	4,078	9,367	62,685
Materials and supplies	12,418	4,823	2,386	4,607	24,234	5,408	48,472	78,114
Other expenses	20,439	9,838	6,203	92,635	129,115	54,052	69,011	252,178
Professional and outside services	64,868	29,718	19,664	37,218	151,468	63,777	56,560	271,805
Space and occupancy	109,518	21,102	22,249	56,013	208,882	58,250	54,676	321,808
Travel	31,207	23,267	6,600	10,722	71,796	4,442	17,474	93,712
Total expenses	$ 2,031,818	$ 398,259	$ 865,603	$ 1,507,487	$ 4,803,167	$ 396,414	$ 803,633	$ 6,003,214

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	$ (272,994)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	481,692
Loss on sale of property and equipment	69,394
Change in discount on promises to give receivable	(3,276)
Changes in assets and liabilities:	
Grants receivable	(319,837)
Promises to give receivable	204,846
Prepaid expenses and other current assets	22,535
Accounts payable	8,009
Accrued expenses	51,359
Net cash provided by operating activities	241,728
Cash flows from investing activities:	
Purchases of property and equipment	(673,000)
Proceeds from sale of property and equipment	94,100
Net cash used by investing activities	(578,900)
Cash flows from financing activities:	
Net proceeds from line of credit	334,360
Payments on notes payable	(35,068)
Net cash provided by financing activities	299,292
Net decrease in cash	(37,880)
Cash, beginning of year	301,793
Cash, end of year	$ 263,913
Supplemental disclosures of cash flow information:	
Interest paid	$ 25,731
Supplemental disclosure of noncash investing and financing transactions:	
Vehicles financed with note payable	$ 21,000
Proceeds from sale of property paid directly to lender	$ 102,500
Proceeds from note payable paid directly to affiliate	$ 604,341

The accompanying notes are an integral part of these statements.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activities
Save the Family Foundation of Arizona (STF) is an Arizona nonprofit 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 the Organization.

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: Financial assistance and services to prevent individuals and families from becoming homeless, and to quickly re-house and stabilize those experiencing homelessness.

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.

Use of Estimates
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Statement Presentation
The Organization follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring the Organization to report 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, described as follows:

> *Unrestricted Net Assets*: Unrestricted net assets are net assets not subject to donor-imposed stipulations, available for use in general operations.
>
> *Temporarily Restricted Net Assets*: Temporarily restricted net assets include contributions that have donor-imposed time or purpose restrictions that limit the use of the donated assets. When the restriction is met, temporarily restricted net assets are reclassified as unrestricted net assets.
>
> *Permanently Restricted Net Assets*: Permanently restricted net assets are those which are subject to non-expiring donor restrictions, such as endowments. The Organization did not have any permanently restricted net assets at June 30, 2015.

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

Government Grants
The Organization 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 the Organization with the terms of the contract. The Organization 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 38% of the Organization's revenues for the year ended June 30, 2015.

Concentrations of Credit Risk
Cash includes cash held in checking, savings, and money market accounts. At times, the Organization maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation (FDIC). The Organization also maintains cash at a brokerage firm that is covered under Securities Investor Protection Corporation (SIPC).

Receivables
The Organization's receivables consist primarily of amounts due from government agencies. The Organization does not require collateral for receivable balances and does not charge interest on receivables that are past due. Receivable balances are considered 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.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 promises 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 as unpaid balances, net of discounts, less an allowance for doubtful accounts as deemed necessary. The Organization provides for losses on promises to give 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 the Organization's policy to charge off uncollectable promises to give when management determines collection is doubtful. Management considers receivables at June 30, 2015 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 on the date of acquisition or at their estimated fair value on the date of donation. 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. 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. The Organization's capitalization policy requires individual assets to be capitalized if the original cost or estimated fair value on the date of donation exceeds $5,000. Maintenance and repairs are charged to expense when incurred.

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 exempt from federal and state income taxes as organizations other than private foundations under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Subsequent Events

The Organization has evaluated subsequent events through January 22, 2016, the date which the financial statements were available to be issued.

NOTE 2 - PROMISES TO GIVE RECEIVABLE, NET

Contributions receivable consisted of the following at June 30, 2015:

Valley of the Sun United Way	$ 100,000
Promises to give - from individuals	156,858
Discounts on promises to give receivables	(1,507)
Net promises to give receivable	$ 255,351

Promises to give receivable are due as follows as of June 30, 2015:

Due within one year	$ 149,378
Due within two to five years	107,480
	256,858
Discount on promises to give receivable	(1,507)
Net promises to give receivable	$ 255,351

NOTE 3 - DUE FROM AFFILIATES

Escobedo at Verde Vista, LLC

ARM has three notes receivable due from Escobedo at Verde Vista, LLC, a related party, which totaled $2,034,288 at June 30, 2015.

The first note in the amount of $543,411 bears simple interest of 4% with interest-only payments due from the borrower's available cash flows. The outstanding principal balance plus unpaid interest is due on or before July 11, 2053.

The second note in the amount of $940,877 bears no interest and the outstanding principal balance is due on or before April 25, 2053. Payments on the second note are also subject to available cash flows.

The third note in the amount of $550,000 bears simple interest of 3% with interest-only payments due from the borrower's available cash flows. The outstanding principal balance plus unpaid interest is due on or before July 31, 2053.

NOTE 4 - INVESTMENT IN AFFILIATE

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

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2015:

Land	$ 2,680,774
Buildings	11,150,012
Building improvements	1,078,513
Appliances	86,374
Equipment and furniture	89,758
Vehicles	147,940
Construction in progress	17,101
	15,250,472
Accumulated depreciation and amortization	(4,633,388)
Property and equipment, net	$ 10,617,084

NOTE 6 - LINES OF CREDIT

STF has a revolving line of credit with a limit of $300,000 and a maturity date of February 16, 2016. Advances on the line of credit are payable monthly at the prime rate plus 0.5% with a floor rate of 5% (5% at June 30, 2015). There was no balance due on this line of credit at June 30, 2015.

ARM has a revolving line of credit with a limit of $800,000 and a maturity date of February 16, 2016. Advances on the line of credit are payable monthly at the prime rate plus 0.5% with a floor rate of 5% (5% at June 30, 2015). The outstanding balance was $670,702 as of June 30, 2015.

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, 2015. Both lines of credit are secured by real property and equipment.

NOTE 7 - NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2015:

$110,235 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.	$ 68,235
$21,000 note payable to a financial institution for the purchase of three vehicles, with monthly payments of principal and 5% interest due of $829. The note matures in January 2017 and it is collateralized by the financed vehicles.	15,116

NOTE 7 - NOTES PAYABLE - CONTINUED

$99,583 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.	90,091
$237,616 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 $83,808 due December 2020. The note is secured by real property.	120,070
$550,000 note payable to a financial institution including interest at 0%, with entire balance due upon maturity in August 2030. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 3 and 11.	550,000
$543,411 note payable to the City of Mesa including interest at 0%, with entire balance due upon maturity in May 2034. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 3 and 11.	543,411
	1,386,923
Less current maturities	(30,344)
	$ 1,356,579

Future maturities of long-term debt are as follows for the years ending June 30,

2016	$ 30,344
2017	27,588
2018	24,479
2019	25,026
2020	23,066
Thereafter	1,256,420
Total future maturities	$ 1,386,923

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets activity was as follows for the year ended June 30, 2015:

	Beginning Balance	Contributions	Releases	Ending Balance
Purpose restrictions:				
Escobedo playground	$ 15,000		$ (15,000)	
Shelter plus care	16,600		(8,300)	$ 8,300
Escobedo project		$ 60,000	(44,700)	15,300
Timing restriction	349,232	38,836	(231,210)	156,858
Timing and purpose restriction:				
United Way	145,971	100,000	(145,971)	100,000
	$ 526,803	$ 198,836	$ (445,181)	$ 280,458

NOTE 9 - IN-KIND CONTRIBUTIONS/EXPENSES

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 those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by donation.

In-kind contributions totaling $860,502 are reported in the consolidated statement of activities. In-kind expenses are reported in the consolidated statement of functional expenses as follows for the year ended June 30, 2015:

	Program Services	Management and General	Fundraising	Total
Professional and outside services	$ 54,797		$ 20,122	$ 74,919
Materials and supplies	598,705			598,705
Other expenses			25,310	25,310
Donated facility from affiliate	120,449	$ 7,610	33,509	161,568
Total in-kind expenses	$ 773,951	$ 7,610	$ 78,941	$ 860,502

NOTE 10 - CONTINGENCIES

During 2011, the Organization received donated residential property from a governmental entity. Under the terms of the governmental contract, if the Organization fails to allow only low-income households to reside in the property, the title of the property will revert back to the governmental entity. This contingency is in effect through February 2031. The Organization 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 the Organization with grant funds are encumbered with ongoing restrictions that preclude the use of 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.

NOTE 11 - RELATED PARTY TRANSACTIONS

ARM has three notes receivable totaling $2,034,288 due from Escobedo at Verde Vista, LLC, a related party (see Note 3).

STF leases a building from Escobedo at Verde Vista, LLC, under a twenty-year lease expiring in 2033. The terms of the lease require STF to pay $100 as the base rent for the entire term of the lease. In addition, STF must meet specific conditions annually in order to satisfy the terms of the lease agreement. The Organization recognized $161,568 as in-kind contributions/expense during the year ended June 30, 2015, which approximates the estimated fair value of the donated facility.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2015

	Save the Family Foundation of Arizona	A.R.M. of Save the Family Foundation of Arizona	Eliminations	Total
ASSETS				
Current assets:				
Cash	$ 220,997	$ 42,916		$ 263,913
Grants receivable	232,045	796,586	$ (32,813)	995,818
Current portion of promises to give receivable	149,378			149,378
Prepaid expenses	8,944			8,944
Total current assets	611,364	839,502	(32,813)	1,418,053
Promises to give receivable, net	105,973			105,973
Long-term notes receivable from affiliate		2,034,288		2,034,288
Property and equipment, net	1,388,595	9,228,489		10,617,084
Investment in affiliate		300,380		300,380
Total assets	$ 2,105,932	$ 12,402,659	$ (32,813)	$ 14,475,778
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 17,308	$ 42,014	$ (32,813)	$ 26,509
Accrued expenses	254,157	60,266		314,423
Lines of credit		670,702		670,702
Current maturities of notes payable	30,344			30,344
Total current liabilities	301,809	772,982	(32,813)	1,041,978
Notes payable, less current maturities	263,168	1,093,411		1,356,579
Total liabilities	564,977	1,866,393	(32,813)	2,398,557
Net assets:				
Unrestricted	1,268,797	10,527,966		11,796,763
Temporarily restricted	272,158	8,300		280,458
Total net assets	1,540,955	10,536,266		12,077,221
Total liabilities and net assets	$ 2,105,932	$ 12,402,659	$ (32,813)	$ 14,475,778

The accompanying notes are an integral part of these statements.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Save the Family Foundation of Arizona		A.R.M. of Save the Family Foundation of Arizona			
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Eliminations	Total
Revenue, support, loss and gain:						
Government grants	$ 1,510,938		$ 712,778			$ 2,223,716
United Way contributions	30,642	$ 100,000				130,642
Contributions	937,112	98,836	131			1,036,079
In-kind contributions	849,760		10,742			860,502
Client and management fees	796,635		87,500		$ (658,161)	225,974
Rental income			937,919			937,919
Miscellaneous	12,530		119,759			132,289
(Loss) gain on disposal of assets	(148,531)		79,137			(69,394)
Thrift store revenue:						
Contributions of merchandise	133,363					133,363
Sales of donated merchandise	133,363					133,363
Less: value of merchandise sold	(133,363)					(133,363)
Revenue from thrift store	133,363					133,363
Fundraising events:						
Gross fundraising events revenue	143,755					143,755
Less: direct donor benefit costs	(24,625)					(24,625)
Net fundraising events revenue	119,130					119,130
Net assets released from restrictions	436,881	(436,881)	8,300	$ (8,300)		
Total revenue, support, loss and gain	4,678,460	(238,045)	1,956,266	(8,300)	(658,161)	5,730,220
Expenses:						
Salaries and employee related expenses	2,259,603		38,079			2,297,682
Depreciation	83,533		398,159			481,692
Direct assistance to individuals	1,085,192		62,939			1,148,131
Direct unit costs	501,276		494,131			995,407
Equipment	62,685					62,685
Materials and supplies	76,878		1,236			78,114
Other expenses	167,036		743,303		(658,161)	252,178
Professional and outside services	247,745		24,060			271,805
Space and occupancy	312,400		9,408			321,808
Travel	86,585		7,127			93,712
Total expenses	4,882,933		1,778,442		(658,161)	6,003,214
Change in net assets	(204,473)	(238,045)	177,824	(8,300)		(272,994)
Net assets, beginning of year	1,473,270	510,203	10,350,142	16,600		12,350,215
Net assets, end of year	$ 1,268,797	$ 272,158	$ 10,527,966	$ 8,300	$	$ 12,077,221

The accompanying notes are an integral part of these statements.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2015

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor's Number	Total Federal Expenditures
U.S. Department of Agriculture			
Passed through Arizona Community Action Association:			
SNAP Cluster:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	$ 5,498
Total SNAP Cluster			5,498
U.S. Department of Health and Human Services			
Passed through the City of Mesa:			
Community Development Block Grants/Entitlement Grants	14.218	F360-14000125	51,258
Passed through the City of Chandler:			
Community Development Block Grants/Entitlement Grants	14.218	CD14/16-6	15,286
Passed through the City of Scottsdale:			
Community Development Block Grants/Entitlement Grants	14.218	2014-063-COS	20,169
Total CFDA 14.218			86,713
Passed through the City of Mesa:			
Emergency Solutions Grant Program	14.231	14000111, F360-130000251	69,235
Passed through UMOM New Day Centers, Inc.:			
Emergency Solutions Grant Program	14.231	None	128,035
Total CFDA 14.231			197,270
Passed through the City of Mesa:			
Home Investment Partnerships Program	14.239	F360-13000296	543,411
Passed through the City of Scottsdale:			
Home Investment Partnerships Program	14.239	2012-076-COS	354,409
Passed through the Town of Gilbert:			
Home Investment Partnerships Program	14.239	2015-2015-0699	358,369
Total CFDA 14.239			1,256,189
Direct program:			
Continuum of Care Program	14.267	N/A	569,199
Passed through UMOM New Day Centers, Inc.:			
Continuum of Care Program	14.267	None	292,029
Total CFDA 14.267			861,228
Total U.S. Department of Health and Human Services			2,401,400
U.S. Department of Veteran Affairs			
Passed through UMOM New Day Centers, Inc.:			
Supportive Services for Veteran Families Program	64.033	None	208,784
Total Expenditures of Federal Awards			$ 2,615,682

The accompanying notes are an integral part of these statements.

NOTE 1 - BASIS OF PRESENTATION

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 (the Organization) 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 Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic 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 2015 *Catalog of Federal Domestic Assistance Update.*

NOTE 3 - SUBRECIPIENTS

The Organization did not pass on any funds to subrecipients during the year ended June 30, 2015.

NOTE 4 - LOAN PROCEEDS

This schedule includes federal expenditures incurred during the year ended June 30, 2015 for which there is an outstanding loan balance totaling $543,411. The Home Investment Partnership Program has continuing compliance requirements. The outstanding balance for the loan is considered federal awards expended and requires disclosure on this schedule.

SINGLE AUDIT REPORTS

Fester & Chapman P.C.

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Independent Auditors' 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*

To the Board of Directors of
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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona (the Organization), which comprise the consolidated statement of financial position as of June 30, 2015, 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, and have issued our report thereon dated January 22, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fester & Chapman P.C.

January 22, 2016

Fester & Chapman P.C.
Certified
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Independent Auditors' Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors of
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 (the Organization)'s 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 the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The Organization's management is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 Organization's internal control over compliance.

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

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

Fester & Chapman P.C.

January 22, 2016

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements:

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified in internal control over financial reporting?		yes	X	no
Significant deficiency(ies) identified that are not considered to be material weaknesses?		yes	X	none reported
Noncompliance material to the financial statements noted?		yes	X	no

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?		yes	X	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?		yes	X	none reported
Type of auditors' report 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?		yes	X	no

Identification of major programs:

CFDA Number	Name of Federal Programs or Cluster
14.267	Continuum of Care Program

Dollar threshold used to distinguish between type A and type B programs:	$300,000			
Auditee qualified as low-risk auditee?	X	yes		no

Other Matters:

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?		yes	X	no

Section II - Findings - Financial Statements Audit

None reported.

Section III - Findings and Questioned Costs - Major Federal Award Programs' Audit

None reported.