

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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2020

CONTENTS

Page

Independent Auditors' Report.....	1 - 2
Financial Statements:	
Consolidated Statement of Financial Position.....	3
Consolidated Statement of Activities.....	4
Consolidated Statement of Functional Expenses.....	5
Consolidated Statement of Cash Flows.....	6
Notes to Consolidated Financial Statements.....	7 - 14
Supplementary Information:	
Consolidating Statement of Financial Position.....	15
Consolidating Statement of Activities.....	16



Independent Auditors' Report

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 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, 2020, 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, 2020, 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 consolidating statement of financial position and consolidating statement of activities is presented for purposes 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 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 December 30, 2020, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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, PLLC

December 30, 2020

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

Current assets:	
Cash	\$ 3,542,808
Grants receivable	473,842
Promises to give receivable, current portion	353,148
Prepaid expenses	<u>19,113</u>
Total current assets	4,388,911
Promises to give receivable, less current portion, net	197,268
Long-term notes receivable from affiliate	2,709,288
Property and equipment, net	10,323,496
Investment in affiliate	150,516
Deposits	<u>2,100</u>
Total assets	<u><u>\$ 17,771,579</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 101,723
Accrued expenses	186,928
Line of credit	244,786
Refundable advances and deferred income	106,506
Notes payable, current portion	<u>58,477</u>
Total current liabilities	698,420
Notes payable, less current portion	<u>2,239,744</u>
Total liabilities	2,938,164
Net assets:	
Without donor restrictions:	
Board designated	2,600,000
Undesignated	<u>11,409,667</u>
Total net assets without donor restrictions	14,009,667
With donor restrictions	<u>823,748</u>
Total net assets	<u>14,833,415</u>
Total liabilities and net assets	<u><u>\$ 17,771,579</u></u>

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, 2020

	Without Donor <u>Restrictions</u>	With Donor Restrictions	<u>Total</u>
Revenue, support and gain:			
Government grants	\$ 2,652,797		\$ 2,652,797
United Way contributions	171,500		171,500
Contributions	1,977,466	\$ 929,700	2,907,166
In-kind contributions	649,256		649,256
Client and management fees	633,146		633,146
Rental income	1,005,987		1,005,987
Miscellaneous	49,948		49,948
Gain on disposals of assets	<u>106,510</u>		<u>106,510</u>
Fundraising events:			
Gross fundraising events revenue	327,567		327,567
Less: direct donor benefit costs	<u>(144,793)</u>		<u>(144,793)</u>
Net fundraising events revenue	<u>182,774</u>		<u>182,774</u>
Net assets released from restrictions:			
Satisfaction of donor requirements	<u>934,056</u>	<u>(934,056)</u>	
Total revenue, support and gain	<u>8,363,440</u>	<u>(4,356)</u>	<u>8,359,084</u>
Expenses:			
Program services:			
Transitional Housing	448,705		448,705
Step Up	198,726		198,726
FACES	641,983		641,983
Rapid Rehousing	1,359,724		1,359,724
LIHTC Programs	383,361		383,361
A.R.M./Property Management	<u>2,544,072</u>		<u>2,544,072</u>
Total program services	5,576,571		5,576,571
Management and general	632,318		632,318
Fundraising	930,420		930,420
Total expenses	<u>7,139,309</u>		<u>7,139,309</u>
Change in net assets	1,224,131	(4,356)	1,219,775
Net assets, beginning of year	<u>12,785,536</u>	<u>828,104</u>	<u>13,613,640</u>
Net assets, end of year	<u>\$ 14,009,667</u>	<u>\$ 823,748</u>	<u>\$ 14,833,415</u>

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, 2020

	Program Services						Supporting Services			
	Transitional Housing	Step Up	FACES	Rapid Rehousing	LIHTC Programs	A.R.M./ Property Management	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 174,572	\$ 66,475	\$ 300,698	\$ 274,458	\$ 187,267	\$ 300,372	\$ 1,303,842	\$ 352,601	\$ 517,215	\$ 2,173,658
Employee related	36,184	17,240	56,699	60,382	38,542	72,167	281,214	53,642	87,643	422,499
Depreciation	4,981	3,114	15,021	8,672	5,200	445,381	482,369	10,021	22,692	515,082
Direct assistance to individuals	65,388	37,218	139,397	904,995	67,838	810,769	2,025,605			2,025,605
Direct unit costs	100,076	51,921				646,573	798,570			798,570
Equipment	7,902	1,905	10,666	14,435	9,258	10,303	54,469	8,337	11,368	74,174
Materials and supplies	3,552	1,326	7,202	5,192	5,002	10,834	33,108	5,030	40,636	78,774
Operating	7,961	2,943	14,003	13,919	17,430	90,361	146,617	28,577	157,019	332,213
Other expenses	1,290	78	654	307	235	451	3,015			3,015
Professional and outside services	13,437	3,121	33,106	18,252	12,242	65,738	145,896	133,870	21,517	301,283
Interest						8,092	8,092	798		8,890
Space and occupancy	25,967	11,149	45,952	44,484	34,411	62,978	224,941	36,883	62,070	323,894
Travel	7,395	2,236	18,585	14,628	5,936	20,053	68,833	2,559	10,260	81,652
Total expenses	<u>\$ 448,705</u>	<u>\$ 198,726</u>	<u>\$ 641,983</u>	<u>\$ 1,359,724</u>	<u>\$ 383,361</u>	<u>\$ 2,544,072</u>	<u>\$ 5,576,571</u>	<u>\$ 632,318</u>	<u>\$ 930,420</u>	<u>\$ 7,139,309</u>

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, 2020

Cash flows from operating activities:	
Change in net assets	\$ 1,219,775
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	515,082
Gain on disposals of assets	(106,510)
Change in discount on promises to give receivable	(974)
Changes in:	
Grants receivable	(203,878)
Promises to give receivable	(290,470)
Prepaid expenses	(13,091)
Deposits	(200)
Accounts payable	(56,958)
Accrued expenses	53,556
Refundable advances and deferred income	<u>21,960</u>
Net cash provided by operating activities	<u>1,138,292</u>
Cash flows from investing activities:	
Purchases of property and equipment	(840,311)
Proceeds from sales of property and equipment	240,000
Investment in affiliate	<u>12,244</u>
Net cash used by investing activities	<u>(588,067)</u>
Cash flows from financing activities:	
Net proceeds from notes payable	529,810
Net proceeds on line-of-credit	244,786
Payments on notes payable	<u>(12,525)</u>
Net cash provided by financing activities	<u>762,071</u>
Net increase in cash	1,312,296
Cash, beginning of the year	<u>2,230,512</u>
Cash, end of the year	<u>\$ 3,542,808</u>
<u>Supplemental disclosures</u>	
Cash paid during the year for interest	<u>\$ 8,890</u>

The accompanying notes are an integral part of these statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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, providing housing and supportive services.

Step Up to Independence: In fiscal year 2019, STF began the start-up processes for a new program, Step Up to Independence (Step Up). With programmatic expansion scheduled for fiscal year 2020 and beyond, this new program model targets homeless families living doubled up in their cars and in other temporary situations currently unserved by federal government funding. For this growing population of vulnerable families, Step Up is an extended stay program, not to exceed 24 months, providing housing and supportive services.

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.

LIHTC: Supportive services are provided to low income families living in affiliated LIHTC permanent housing projects, focusing on helping families maintain stable community living and increasing their self-sufficiency.

Principles of Consolidation

ARM and STF are consolidated due to the programmatic dependence of ARM on STF to place clients into its housing units. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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 into two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the restricted stipulated purpose for which the resource was restricted has been fulfilled, or both.

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 various local municipalities and the US Department of Housing and Urban Development (HUD). These grants represented 32% of the Organization's revenues for the year ended June 30, 2020.

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).

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.

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 net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. 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 the lesser of the estimated useful life or remaining term of the applicable lease. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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 uncollectible promises to give when management determines collection is doubtful. Management considers receivables at June 30, 2020 to be fully collectable and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Refundable Advances and Deferred Income

The Organization records refundable rental security deposits as refundable advances until the funds are refunded or earned and recognized as revenue. Prepaid rent is recorded as deferred revenue until the period in which the funds are earned and recognized as revenue.

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.

Change in Accounting Principle

On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which was effective for the fiscal year ended June 30, 2020. The update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction by clarifying how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction.

Financial Impact of COVID-19

The Organization's operations have been, and continue to be affected by the recent and ongoing outbreak of the Coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and the related financial impact. However, the related financial impact and duration cannot be reasonably estimated at this time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

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

Subsequent Events

The Organization has evaluated all events or transactions that occurred after June 30, 2020, through December 30, 2020, the date the Organization issued these financial statements. In November 2020, the Organization received an unsolicited \$2.8 million contribution without donor restrictions.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. The Organization has the following financial assets that could readily be made available within one year of each fiscal year end to fund expenses without limitations:

Financial assets included in current assets:	
Cash	\$ 3,542,808
Grants receivable	473,842
Promises to give receivable, current portion	<u>353,148</u>
Total financial assets included in current assets	<u>4,369,798</u>
Less amounts unavailable for general expenditure within one year:	
Board designated net assets	(2,600,000)
Net assets with donor restrictions	<u>(823,748)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 946,050</u>

In addition to financial assets available to meet general expenditures over the year, the Organization operates with a balanced budget and anticipates covering its general expenditures by collecting from grants, contributions, and other revenues. The Organization also has three available lines-of-credit totaling \$900,000 for its operating and capital needs (Note 7). The Boards of Directors may adjust the amount of board designated net assets from time to time with a majority vote.

NOTE 3 - PROMISES TO GIVE RECEIVABLE, NET

Promises to give receivable are due as follows as of June 30, 2020:

Due within one year	\$ 353,148
Due within two to four years	<u>197,400</u>
	550,548
Discount on promises to give receivable (3.1%)	<u>(132)</u>
Net promises to give receivable	<u>\$ 550,416</u>

At June 30, 2020, 54% of pledges receivable was due from one foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

NOTE 4 - 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, 2020.

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.

Valor on Eighth, LLC

ARM has one note in the amount of \$675,000 due from Valor on Eighth, LLC, a related party. The note bears no interest and the outstanding principal balance is due on or before June 22, 2033. Payments on the note are also subject to available cash flows.

NOTE 5 - 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 584 portion of the partnership's income/loss each year. At June 30, 2020, ARM's investment in affiliate totaled \$150,516.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following as of June 30, 2020:

Land	\$ 2,492,917
Buildings	12,271,536
Building improvements	994,592
Appliances	6,119
Vehicles	<u>142,943</u>
	15,908,107
Accumulated depreciation and amortization	<u>(5,584,611)</u>
Property and equipment, net	<u>\$ 10,323,496</u>

See Note 11 regarding restrictions as to use and reversionary interests for property and equipment purchased with, or donated by, governmental agencies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

NOTE 7 - LINES-OF-CREDIT

STF has a revolving line-of-credit with a limit of \$300,000 and a maturity date of October 1, 2021. Advances on the line-of-credit are payable monthly at the prime rate (3.25% at June 30, 2020). There was no balance due on this line-of-credit at June 30, 2020.

ARM has two revolving lines-of-credit: one with a \$500,000 limit for the restricted use of funding property acquisitions; and one with a \$100,000 credit limit for unrestricted use in general operations. Both lines have a maturity date of October 1, 2021. Advances on the lines-of-credit are payable monthly at the prime rate (3.25% at June 30, 2020). At June 30, 2020, \$244,786 was due on the acquisition line-of-credit, and there was no balance due on the operating line-of-credit.

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, 2020. Both lines-of-credit are secured by real property and equipment.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2020:

\$507,500 (STF) and \$22,310 (ARM) Paycheck Protection Program loans through the Small Business Administration which bear interest at a rate of 1% and matures April 2022. Interest only payments are due beginning in May 2021. The loans may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.	\$ 529,810
\$550,000 note payable to a financial institution including interest at 0%, with entire balance due upon maturity in February 2029. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 4 and 12.	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 4 and 12.	543,411
\$675,000 note payable to a financial institution including interest at 0%, with entire balance due upon maturity in August 2033. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 4 and 12.	<u>675,000</u>
	2,298,221
Less current maturities	<u>(58,477)</u>
	<u><u>\$ 2,239,744</u></u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

NOTE 8 - NOTES PAYABLE - Continued

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

2021	\$ 58,477
2022	352,916
2023	118,425
Thereafter	<u>1,768,403</u>
Total future maturities	<u>\$ 2,298,221</u>

No payments are due during the years ending June 30, 2024 through 2028.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended June 30, 2020 consisted of the following:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Purpose restrictions:				
Homeless Families Intervention Project		\$ 200,000		\$ 200,000
FACES	\$ 15,000		\$ (15,000)	
Transformational matching gift	449,827		(449,827)	
SOAR Funding	50,000		(50,000)	
Tempe Youth	3,200		(3,200)	
Rapid Rehousing		40,000		40,000
Van		33,200		33,200
Timing restrictions	<u>310,077</u>	<u>656,500</u>	<u>(416,029)</u>	<u>550,548</u>
	<u>\$ 828,104</u>	<u>\$ 929,700</u>	<u>\$ (934,056)</u>	<u>\$ 823,748</u>

NOTE 10 - IN-KIND CONTRIBUTIONS/EXPENSES

Donated goods and facilities are valued at their estimated fair value on the date of donation. 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 \$649,256 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, 2020:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional and outside services	\$ 4,997		\$ 2,575	\$ 7,572
Direct assistance to individuals	452,600			452,600
Space and occupancy	94,381	\$ 27,236	39,951	161,568
Special events - materials			27,516	27,516
Total in-kind expenses	<u>\$ 551,978</u>	<u>\$ 27,236</u>	<u>\$ 70,042</u>	<u>\$ 649,256</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020

NOTE 11 - COMMITMENTS AND 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.

During the years ended June 30, 2017 and 2018, STF received Community Development Block Grant (CDBG) federal grant funding passed through the City of Mesa, Arizona (the City), to construct a conference center costing approximately \$1 million, on a parcel of land that was donated to STF by the City. The agreements include restrictive covenants for the property to be used for specific programmatic purposes by certain agencies. The title on the property restricts the uses described above in perpetuity for current and future owners, unless a release from the restrictions is approved by the City.

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 12 - RELATED PARTY TRANSACTIONS

ARM has three notes receivable totaling \$2,034,288 due from Escobedo at Verde Vista, LLC, a related party (see Note 4).

ARM has a note receivable in the amount of \$675,000 due from Valor on Eighth, LLC, a related party (see Note 4).

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, 2020, which approximates the estimated fair value of the donated facility.

NOTE 13 – CONDITIONAL CONTRIBUTIONS AND GRANTS

The Organization received conditional contributions and grants during the fiscal year ended June 30, 2020. Conditional contributions and grants are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by the Organization in order to earn and receive these amounts. As of June 30, 2020, amounts awarded but not yet received or earned totaled \$683,801. While management believes that the Organization will meet these conditions, they had not been met as of the year ended June 30, 2020. Accordingly, no amounts have been recorded for these conditional contributions and grants in these financial statements.

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, 2020

	Save the Family Foundation of Arizona	A.R.M. of Save the Family Foundation of Arizona	Eliminations	Total
ASSETS				
Current assets:				
Cash	\$ 2,522,125	\$ 1,020,683		\$ 3,542,808
Grants receivable	190,895	317,621	\$ (34,674)	473,842
Promises to give receivable, current portion	353,148			353,148
Prepaid expenses	18,609	504		19,113
Total current assets	<u>3,084,777</u>	<u>1,338,808</u>	<u>(34,674)</u>	<u>4,388,911</u>
Promises to give receivable, less current portion	197,268			197,268
Long-term notes receivable from affiliate		2,709,288		2,709,288
Property and equipment, net	1,304,949	9,018,547		10,323,496
Investment in affiliate		150,516		150,516
Deposits	<u>2,100</u>	<u></u>	<u></u>	<u>2,100</u>
Total assets	<u>\$ 4,589,094</u>	<u>\$ 13,217,159</u>	<u>\$ (34,674)</u>	<u>\$ 17,771,579</u>
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	\$ 66,122	\$ 70,275	\$ (34,674)	\$ 101,723
Accrued expenses	172,689	14,239		186,928
Line of credit		244,786		244,786
Refundable advances and deferred income		106,506		106,506
Notes payable, current portion	<u>56,014</u>	<u>2,463</u>	<u></u>	<u>58,477</u>
Total current liabilities	<u>294,825</u>	<u>438,269</u>	<u>(34,674)</u>	<u>698,420</u>
Notes payable, less current portion	<u>451,486</u>	<u>1,788,258</u>	<u></u>	<u>2,239,744</u>
Total liabilities	<u>746,311</u>	<u>2,226,527</u>	<u>(34,674)</u>	<u>2,938,164</u>
Net assets:				
Without donor restrictions:				
Board designated	1,750,000	850,000		2,600,000
Undesignated	<u>1,269,035</u>	<u>10,140,632</u>	<u></u>	<u>11,409,667</u>
Total net assets without donor restrictions	<u>3,019,035</u>	<u>10,990,632</u>	<u></u>	<u>14,009,667</u>
Net assets with donor restrictions	<u>823,748</u>	<u></u>	<u></u>	<u>823,748</u>
Total net assets	<u>3,842,783</u>	<u>10,990,632</u>	<u></u>	<u>14,833,415</u>
Total liabilities and net assets	<u>\$ 4,589,094</u>	<u>\$ 13,217,159</u>	<u>\$ (34,674)</u>	<u>\$ 17,771,579</u>

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, 2020

	Save the Family Foundation of Arizona		A.R.M. of Save the Family Foundation of Arizona		Eliminations	Total
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions		
Revenue, support, and gain:						
Government grants	\$ 1,290,541		\$ 1,362,256			\$ 2,652,797
United Way contributions	171,500					171,500
Contributions	1,976,860	\$ 929,700	606			2,907,166
In-kind contributions	558,344		90,912			649,256
Client and management fees	708,279		446,990		\$ (522,123)	633,146
Rental income	1,724		1,004,263			1,005,987
Miscellaneous	25,733		24,215			49,948
Gain on disposals of assets			106,510			106,510
Fundraising events:						
Gross fundraising events revenue	327,567					327,567
Less: direct donor benefit costs	(144,793)					(144,793)
Net fundraising events revenue	182,774					182,774
Net assets released from restrictions:						
Satisfaction of donor requirements	934,056	(934,056)				
Total revenue, support, and gain	5,849,811	(4,356)	3,035,752		(522,123)	8,359,084
Expenses:						
Salaries	2,091,692		81,966			2,173,658
Employee related	405,956		16,543			422,499
Depreciation	75,439		439,643			515,082
Direct assistance to individuals	1,214,848		906,245		(95,488)	2,025,605
Direct unit costs	155,634		642,936			798,570
Equipment	74,174					74,174
Materials and supplies	76,897		1,877			78,774
Operating	267,570		64,643			332,213
Other expenses	3,015					3,015
Professional and outside services	298,616		429,302		(426,635)	301,283
Interest expense	798		8,092			8,890
Space and occupancy	323,894					323,894
Travel	74,961		6,691			81,652
Total expenses	5,063,494		2,597,938		(522,123)	7,139,309
Change in net assets	786,317	(4,356)	437,814			1,219,775
Net assets, beginning of year	2,232,718	828,104	10,552,818			13,613,640
Net assets, end of year	\$ 3,019,035	\$ 823,748	\$ 10,990,632	\$	\$	\$ 14,833,415

The accompanying notes are an integral part of these statements.