

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, 2023

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## 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

### **Opinion**

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, 2023, 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization and affiliates as of June 30, 2023, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

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

#### ***Other Matters***

#### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are 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 information is fairly stated in all material respects in relation to the 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 11, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

January 11, 2024

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2023

ASSETS

Current assets:	
Cash	\$ 3,658,042
Certificates of deposit	3,639,788
Grants receivable	716,154
In-kind rent receivable, current portion	195,020
Promises to give receivable, current portion	260,200
Prepaid expenses	<u>174,048</u>
Total current assets	8,643,252
In-kind rent receivable, less current portion, net	1,755,699
Promises to give receivable, less current portion	218,000
Long-term notes receivable - related parties, net	2,449,043
Accrued interest receivable - related parties	332,797
Property and equipment, net	<u>12,778,368</u>
Total assets	<u>\$ 26,177,159</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 120,468
Accrued expenses	148,577
Deposits held in trust	9,791
Line-of-credit	239,557
Refundable advances and deferred income	133,895
Lease liability - finance lease, current portion	<u>18,798</u>
Total current liabilities	671,086
Lease liability - finance lease, less current portion	38,599
Notes payable	<u>1,768,411</u>
Total liabilities	2,478,096
Net assets:	
Without donor restrictions:	
Board designated	6,301,595
Undesignated	<u>14,820,849</u>
Total net assets without donor restrictions	21,122,444
With donor restrictions	<u>2,576,619</u>
Total net assets	<u>23,699,063</u>
Total liabilities and net assets	<u>\$ 26,177,159</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, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue, support and gains:			
Government grants	\$ 4,116,926		\$ 4,116,926
Contributions	1,929,250	\$ 680,500	2,609,750
In-kind contributions	262,659		262,659
Client and management fees	440,550		440,550
Rental income	1,089,356		1,089,356
Investment income	31,790		31,790
Miscellaneous	57,522		57,522
Gain on disposals of assets	<u>473,017</u>		<u>473,017</u>
Fundraising events:			
Gross fundraising events revenue	479,692		479,692
Less: direct donor benefit costs	<u>(207,195)</u>		<u>(207,195)</u>
Net fundraising events revenue	<u>272,497</u>		<u>272,497</u>
Net assets released from restrictions:			
Satisfaction of donor requirements	<u>667,172</u>	<u>(667,172)</u>	
Total revenue, support and gains	<u>9,340,739</u>	<u>13,328</u>	<u>9,354,067</u>
Expenses:			
Program services:			
Transitional Housing	63,050		63,050
Step Up	299,045		299,045
FACES	639,323		639,323
Rapid Rehousing	2,257,191		2,257,191
LIHTC Programs	220,565		220,565
A.R.M./Property Management	<u>2,586,430</u>		<u>2,586,430</u>
Total program services	6,065,604		6,065,604
Management and general	962,212		962,212
Fundraising	<u>818,070</u>		<u>818,070</u>
Total expenses	<u>7,845,886</u>		<u>7,845,886</u>
Change in net assets	1,494,853	13,328	1,508,181
Net assets, beginning of year	<u>19,627,591</u>	<u>2,563,291</u>	<u>22,190,882</u>
Net assets, end of year	<u>\$ 21,122,444</u>	<u>\$ 2,576,619</u>	<u>\$ 23,699,063</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, 2023

	Program Services						Supporting Services			Total
	Transitional Housing	Step Up	FACES	Rapid Rehousing	LIHTC Programs	A.R.M./ Property Management	Total Program Services	Management and General	Fundraising	
Salaries	\$ 5,290	\$ 118,256	\$ 367,883	\$ 505,129	\$ 134,839	\$ 481,450	\$ 1,612,847	\$ 561,675	\$ 428,235	\$ 2,602,757
Employee related	567	18,884	64,879	97,902	24,663	81,943	288,838	99,462	58,184	446,484
Depreciation	2,185	6,208	38,867	32,310	7,172	501,982	588,724	29,198	18,790	636,712
Direct assistance to individuals	5,230	48,368	45,045	1,402,396	37	465,993	1,967,069	314	6,450	1,973,833
Direct unit costs	46,190	65,628	4,854	1,719	368	750,464	869,223	2,529	4,521	876,273
Equipment	12	327	811	1,365	2,687	1,054	6,256	5,084	556	11,896
Materials and supplies	144	1,000	3,791	4,688	2,523	3,920	16,066	12,901	3,953	32,920
Operating	740	15,330	12,005	17,790	25,316	82,387	153,568	53,852	160,041	367,461
Other program expenses	2	238	9,451	293	20	99	10,103			10,103
Professional and outside services	1,531	5,100	19,713	98,659	4,408	67,785	197,196	104,086	91,699	392,981
Interest expense	26	522	1,769	2,447	525	4,040	9,329	3,957	1,393	14,679
Space and occupancy	767	15,512	62,187	82,703	16,562	86,151	263,882	81,083	38,409	383,374
Travel	366	3,672	8,068	9,790	1,445	59,162	82,503	8,071	5,839	96,413
Total expenses	<u>\$ 63,050</u>	<u>\$ 299,045</u>	<u>\$ 639,323</u>	<u>\$ 2,257,191</u>	<u>\$ 220,565</u>	<u>\$ 2,586,430</u>	<u>\$ 6,065,604</u>	<u>\$ 962,212</u>	<u>\$ 818,070</u>	<u>\$ 7,845,886</u>

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

Cash flows from operating activities:	
Change in net assets	\$ 1,508,181
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	636,712
Use of donated space attributable to in-kind rent receivable	190,884
Amortization of discount on in-kind rent receivable and long term notes receivable	(88,476)
Gain on disposals of assets	(473,017)
Net gain on investments	(31,790)
Changes in:	
Grants receivable	352,670
Promises to give receivable	(375,833)
Prepaid expenses	(141,844)
Accrued interest - related parties	6,520
Accounts payable	(64,995)
Accrued expenses	(35,831)
Deposits held in trust	(28,086)
Refundable advances and deferred income	<u>(100,087)</u>
Net cash provided by operating activities	<u>1,355,008</u>
Cash flows from investing activities:	
Purchases of certificates of deposit	(3,560,000)
Sales of investments	3,555,685
Purchases of property and equipment	(1,972,540)
Proceeds from sales of property and equipment	<u>552,000</u>
Net cash used by investing activities	<u>(1,424,855)</u>
Cash flows from financing activities:	
Net proceeds from line-of-credit	239,557
Payments on finance lease liability	<u>(15,280)</u>
Net cash provided by financing activities	<u>224,277</u>
Net change in cash	154,430
Cash, beginning of the year	<u>3,503,612</u>
Cash, end of the year	<u><u>\$ 3,658,042</u></u>
<u>Supplemental disclosures</u>	
Cash paid during the year for interest	\$ 14,679

The accompanying notes are an integral part of these statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**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 (GAAP), 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, 2023

**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 in 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 net assets without donor restrictions when conditions specified in the contracts are met. 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 28% of the Organization's revenues for the year ended June 30, 2023. Conditional promises to give are not recognized as support until the conditions are substantially met.

**Concentrations**

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). Investments are covered under Securities Investors 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.

**Certificates of Deposit**

Certificates of deposit with original maturities greater than three months are stated at face value plus accrued interest.

**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, 2023

**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, 2023 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 and grant funds classified as conditional contributions 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. Salaries, employee related expenses, professional and outside services, equipment, materials and supplies, and operating expenses are allocated based on time and effort studies. Depreciation, space and occupancy expenses are allocated based on estimated square footage devoted to each function.

**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 all events or transactions that occurred after June 30, 2023, through January 11, 2024, the date the Organization issued these consolidated financial statements. No subsequent events were identified that required adjustment to or disclosure in the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**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	\$ 3,658,042
Certificates of deposit	3,639,788
Grants receivable	716,154
Promises to give receivable, current portion	<u>260,200</u>
Total financial assets included in current assets	8,274,184
Less amounts unavailable for general expenditure within one year:	
Board designated net assets	(6,301,595)
Net assets with donor restrictions, excluding portion attributable to in-kind rent receivable	<u>(625,900)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,346,689</u></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 \$1,900,000 for its operating and capital needs (Note 6). In addition, the Organizations' 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**

Promises to give receivable are due as follows as of June 30, 2023:

Due within one year	\$ 260,200
Due within two to four years	<u>218,000</u>
Promises to give receivable	<u><u>\$ 478,200</u></u>

At June 30, 2023, 63% pledges receivable was due from one foundation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**NOTE 4 - LONG-TERM NOTES RECEIVABLE - RELATED PARTIES, NET**

ARM has the following notes receivable due from related parties at June 30, 2023. Payments are subject to available cash flows. Noninterest bearing notes receivable are discounted to their net present value, which approximates fair value. The present value discount is adjusted annually based on the interest rate assigned at the inception of the note and is included in miscellaneous income on the consolidated statement of activities.

	<u>Principal</u>	<u>Accrued Interest</u>
<b><u>Due from Escobedo at Verde Vista, LLC:</u></b>		
\$543,411, with simple interest only payments of 4% due until maturity in July 2053	\$ 543,411	\$ 153,532
\$940,877, non-interest bearing, with no payments due until maturity in April 2053	940,877	
\$550,000, with simple interest payments of 3% due until maturity in July 2053	550,000	107,445
\$300,000, with simple interest only payments of 4% due until maturity in October 2052	300,000	71,820
<b><u>Due from Valor on Eighth, LLC:</u></b>		
\$675,000, non-interest bearing, with no payments due until maturity in July 2048	<u>675,000</u>	
	3,009,288	<u>332,797</u>
Less: discount to net present value at (3% to 4%)	<u>(560,245)</u>	
	<u>\$ 2,449,043</u>	<u>\$ 332,797</u>

Interest income earned on notes receivable due from related parties totaled \$10,437 during the year ended June 30, 2023.

**NOTE 5 - PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted of the following as of June 30, 2023:

Land	\$ 2,396,988
Buildings	16,207,977
Building improvements	560,802
Appliances	6,119
Equipment and furniture	186,839
Vehicles	<u>195,959</u>
	19,554,684
Accumulated depreciation	<u>(6,776,316)</u>
Property and equipment, net	<u>\$ 12,778,368</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, 2023

**NOTE 6 - LINES-OF-CREDIT**

STF has a revolving line-of-credit with a limit of \$300,000 and a maturity date of February 1, 2024. Advances on the line-of-credit are payable monthly at the prime rate (8.25% at June 30, 2023). There was no balance due on this line-of-credit at June 30, 2023.

ARM has two revolving lines-of-credit: one with a \$1,500,000 limit for the restricted use of funding property acquisitions, maturing June 1, 2024; and one with a \$100,000 credit limit for unrestricted use in general operations, maturing February 1, 2024. Advances on the lines-of-credit are payable monthly at the prime rate (8.25% at June 30, 2023). At June 30, 2023, \$239,557 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, 2023. All lines-of-credit are secured by real property and equipment.

**NOTE 7 - NOTES PAYABLE**

Notes payable consisted of the following as of June 30, 2023:

\$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>
	<u>\$ 1,768,411</u>

The Organization's notes payable mature during the years ending June 30, 2029 and June 30, 2034. No payments are due during the years ending June 30, 2024 through 2028.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**NOTE 8 - LEASING LIABILITY - FINANCE LEASE**

The Organization has a copier lease classified as a finance lease, expiring in 2026.

Finance least cost:

Amortization of leased equipment	\$ 17,688
Interest expense	<u>12,276</u>
Total finance lease cost	<u><u>\$ 29,964</u></u>

Future minimum lease payments under the Organization's finance lease are as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2024	\$ 27,556
2025	27,556
2026	<u>18,371</u>
Total minimum lease payments	73,483
Less amount representing interest	<u>(16,086)</u>
Total capital lease obligation	<u><u>\$ 57,397</u></u>

The discount rate on the finance lease is 18.57%.

Leased property under the Organization's finance lease included in property and equipment, net, as of June 30, 2023 includes:

Leased equipment	\$ 82,546
Less accumulated depreciation	<u>(35,377)</u>
Leased equipment, net	<u><u>\$ 47,169</u></u>

**NOTE 9 - NET ASSETS**

**Net Assets Without Donor Restrictions - Board Designated**

The Organization's Board designated net assets consisted of the following at June 30, 2023:

	<u>STF</u>	<u>ARM</u>	<u>Total</u>
Operating reserves	\$ 2,808,351	\$ 954,000	\$ 3,762,351
Infrastructure development	400,000	839,244	1,239,244
Equipment	300,000		300,000
Programmatic expansions	<u>1,000,000</u>		<u>1,000,000</u>
Total	<u><u>\$ 4,508,351</u></u>	<u><u>\$ 1,793,244</u></u>	<u><u>\$ 6,301,595</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**NOTE 9- NET ASSETS - Continued**

**Net Assets With Donor Restrictions**

Net assets with donor restrictions for the year ended June 30, 2023 consisted of the following:

	Beginning Balance	Contributions	Releases	Ending Balance
Purpose restrictions:				
Step Up	\$ 353,083		\$ (203,083)	\$ 150,000
FACES	22,917		(22,917)	
Timing restrictions, if not included above	101,077	\$ 680,500	(305,677)	475,900
In-kind rent receivable, net	<u>2,086,214</u>		<u>(135,495)</u>	<u>1,950,719</u>
	<u>\$ 2,563,291</u>	<u>\$ 680,500</u>	<u>\$ (667,172)</u>	<u>\$ 2,576,619</u>

**NOTE 10 - CONTRIBUTIONS IN-KIND**

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.

The estimated fair value of contributions in-kind is based on the following: Donated goods are valued using donor estimates and available pricing on retail websites. Donated space and occupancy is valued based on the price per square foot for similar properties from advertised real estate listings. Donated services are valued based on the hourly rate that would otherwise be paid for similar services from current or past vendors.

In-kind contributions totaling \$262,659 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, 2023:

	Program Services	Management and General	Fundraising	Total
Direct assistance to individuals	\$ 142,914			\$ 142,914
Space and occupancy	127,621	\$ 79,625	\$ 6,606	213,852
Special events - materials			33,148	33,148
Total in-kind expenses	<u>\$ 270,535</u>	<u>\$ 79,625</u>	<u>\$ 39,754</u>	<u>\$ 389,914</u>

During the year ended June 30, 2013, STF entered into a long-term in-kind rent agreement with Escobedo at Verde Vista, LLC, a related party (see Note 12), that ends on December 31, 2033. The in-kind rent receivable, net totaled \$1,950,719 on June 30, 2023, which included an estimated fair value of \$2,253,409, less a discount to net present value of \$302,690.

The Organization's in-kind rent receivable is due as follows as of June 30, 2023:

Due within one year	\$ 195,020
Due within two to five years	819,870
Due in more than five years	<u>1,238,519</u>
	2,253,409
Less discount to net present value	<u>(302,690)</u>
Total	<u>\$ 1,950,719</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023

**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 four notes receivable totaling \$2,334,288 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. The Organization recognized \$136,205 as in-kind expense during the year ended June 30, 2023, which approximates the estimated fair value of the donated facility. STF has recorded an in-kind rent receivable totaling \$1,950,719, for the estimated future benefit of the donated space (see Note 10).

**NOTE 13 – CONDITIONAL CONTRIBUTIONS**

The Organization received conditional contributions from federal grant awards during the fiscal year ended June 30, 2023. Conditional contributions are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by the Organization in order to earn these amounts. As of June 30, 2023, amounts awarded but not yet earned totaled \$3,260,907. While management believes that the Organization will meet these conditions, they had not been met as of the year ended June 30, 2023. Accordingly, no amounts have been recorded for these conditional contributions 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, 2023

	Save the Family Foundation of Arizona	A.R.M. of Save the Family Foundation of Arizona	Eliminations	Total
<b>ASSETS</b>				
Current assets:				
Cash	\$ 2,149,342	\$ 1,508,700		\$ 3,658,042
Certificates of deposit	2,790,920	848,868		3,639,788
Grants receivable	509,852	416,424	\$ (210,122)	716,154
In-kind rent receivable, current portion	195,020			195,020
Promises to give receivable, current portion	260,200			260,200
Prepaid expenses	174,048			174,048
Total current assets	6,079,382	2,773,992	(210,122)	8,643,252
In-kind rent receivable, less current portion, net	1,755,699			1,755,699
Promises to give receivable, less current portion	218,000			218,000
Long-term notes receivable - related parties, net		2,449,043		2,449,043
Interest receivable - related parties		332,797		332,797
Property and equipment, net	1,438,547	11,339,821		12,778,368
Total assets	<u>\$ 9,491,628</u>	<u>\$ 16,895,653</u>	<u>\$ (210,122)</u>	<u>\$ 26,177,159</u>
<b>LIABILITIES AND NET ASSETS</b>				
Current liabilities:				
Accounts payable	\$ 57,291	\$ 273,299	\$ (210,122)	\$ 120,468
Accrued expenses	130,148	18,429		148,577
Deposits held in trust	9,791			9,791
Line-of-credit		239,557		239,557
Refundable advances and deferred income	30,000	103,895		133,895
Lease liability, current portion	18,798			18,798
Total current liabilities	246,028	635,180	(210,122)	671,086
Lease liability, less current portion	38,599			38,599
Notes payable		1,768,411		1,768,411
Total liabilities	284,627	2,403,591	(210,122)	2,478,096
Net assets:				
Without donor restrictions:				
Board designated	4,508,351	1,793,244		6,301,595
Undesignated	2,122,031	12,698,818		14,820,849
Total net assets without donor restrictions	6,630,382	14,492,062		21,122,444
Net assets with donor restrictions	2,576,619			2,576,619
Total net assets	9,207,001	14,492,062		23,699,063
Total liabilities and net assets	<u>\$ 9,491,628</u>	<u>\$ 16,895,653</u>	<u>\$ (210,122)</u>	<u>\$ 26,177,159</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, 2023

	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 gains:						
Government grants	\$ 1,930,754		\$ 2,186,172			\$ 4,116,926
Contributions	1,928,929	\$ 680,500	321			2,609,750
In-kind contributions	215,909		46,750			262,659
Client and management fees	824,138		268,495		\$ (652,083)	440,550
Rental income			1,089,356			1,089,356
Investment income	26,209		5,581			31,790
Miscellaneous	26,214		31,308			57,522
Gain on disposals of assets			473,017			473,017
Fundraising events:						
Gross fundraising events revenue	479,692					479,692
Less: direct donor benefit costs	(207,195)					(207,195)
Net fundraising events revenue	272,497					272,497
Net assets released from restrictions:						
Satisfaction of donor requirements	667,172	(667,172)				
Total revenue, support, and gains	5,891,822	13,328	4,101,000		(652,083)	9,354,067
Expenses:						
Salaries	2,406,040		196,717			2,602,757
Employee related	416,998		29,486			446,484
Depreciation	141,407		495,305			636,712
Direct assistance to individuals	1,507,840		498,076		(32,083)	1,973,833
Direct unit costs	133,744		742,529			876,273
Equipment	11,716		180			11,896
Materials and supplies	32,411		509			32,920
Operating	284,805		82,656			367,461
Other program expenses	9,503		600			10,103
Professional and outside services	380,579		632,402		(620,000)	392,981
Interest expense	12,276		2,403			14,679
Space and occupancy	383,374					383,374
Travel	77,029		19,384			96,413
Total expenses	5,797,722		2,700,247		(652,083)	7,845,886
Change in net assets	94,100	13,328	1,400,753			1,508,181
Net assets, beginning of year, restated	6,536,282	2,563,291	13,091,309			22,190,882
Net assets, end of year	\$ 6,630,382	\$ 2,576,619	\$ 14,492,062	\$	\$	\$ 23,699,063

The accompanying notes are an integral part of these statements.