R&A CPAs

A PROFESSIONAL CORPORATION

Southern Arizona AIDS Foundation and Affiliates

(A Not-for-Profit Organization)

Consolidated Financial Statements and Independent Auditors' Report

Years ended
June 30, 2020 and 2019

Contents

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Arizona AIDS Foundation
Tucson, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Southern Arizona AIDS Foundation and its subsidiaries (a not-for-profit organization) (collectively the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization'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 Organization'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.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southern Arizona AIDS Foundation and its subsidiaries as of June 30, 2020 and 2019, and the activities and changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Adoption of New Accounting Pronouncements

As discussed in Note A to the financial statements, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-01 Financial Instruments – Overall and ASU No. 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Southern Arizona AIDS Foundation's internal control over financial reporting and compliance.

R&A CPAs

A Professional Corporation

Tucson, Arizona
March 30, 2021

Consolidated Statements of Financial Position as of June 30, 2020 and 2019

Assets	2020	2019
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,110,421	$ 1,730,176
Grants and contracts receivable	1,730,558	1,832,959
Pledges receivable, net of discount	60,185	84,822
Other receivables, net of allowance for uncollectible accounts of $74,675 and $46,794, respectively	37,869	31,924
Investments	385,686	312,158
Prepaid expenses	222,511	226,742
Inventory	9,029	12,388
Total current assets	4,556,259	4,231,169
LONG-TERM ASSETS:		
Other assets	6,500	6,500
Property and equipment, net of accumulated depreciation of $3,461,178 and $3,211,490, respectively	4,274,625	4,245,885
Total long-term assets	4,281,125	4,252,385
TOTAL ASSETS	$ 8,837,384	$ 8,483,554

Liabilities and Net Assets	2020	2019
CURRENT LIABILITIES:		
Accounts payable	$ 293,663	$ 325,510
Subrecipient grants payable	7,884	6,886
Accrued payroll and vacation	193,241	150,567
Due to related parties	1,674	2,951
Other accrued liabilities	81,816	98,986
Current portion of notes payable	14,805	380,032
Current portion of PPP note payable	339,661	-
Security deposit liabilities	8,397	9,513
Total current liabilities	941,141	974,445
LONG-TERM LIABILITIES:		
Notes payable, less current portion	251,685	266,490
PPP note payable, net of current portion	544,226	-
Total long-term liabilities	795,911	266,490
TOTAL LIABILITIES	1,737,052	1,240,935
NET ASSETS:		
Net assets without donor restrictions	6,783,231	6,941,048
Net assets with donor restrictions	317,101	301,571
TOTAL NET ASSETS	7,100,332	7,242,619
TOTAL LIABILITIES AND NET ASSETS	$ 8,837,384	$ 8,483,554

Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS, 2020			
REVENUES:			
Government contracts and grants	$ 9,925,624	$ -	$ 9,925,624
Contributions and other grants	344,979	379,900	724,879
Buyers club	42,716	-	42,716
Investment income	2,333	(1,160)	1,173
Rent income	350,121	-	350,121
Special events, net of $24,455 direct donor benefit costs	84,422	-	84,422
In-kind contributions	24,365	-	24,365
Other	12,277	-	12,277
Net assets released from restrictions	363,210	(363,210)	-
Total revenues	11,150,047	15,530	11,165,577
EXPENSES:			
Program services	9,056,410	-	9,056,410
Management and general	1,883,290	-	1,883,290
Fundraising	368,164	-	368,164
Total expenses	11,307,864	-	11,307,864
CHANGE IN NET ASSETS	(157,817)	15,530	(142,287)
Net assets, beginning of year	6,941,048	301,571	7,242,619
NET ASSETS, END OF YEAR	$ 6,783,231	$ 317,101	$ 7,100,332

Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS, 2019			
REVENUES:			
Government contracts and grants	$ 10,565,897	$ -	$ 10,565,897
Contributions and other grants	239,236	524,993	764,229
Buyers club	45,783	-	45,783
Investment income	(3,397)	4,922	1,525
Rent income	321,902	-	321,902
Special events, net of $24,589 direct donor benefit costs	213,816	-	213,816
In-kind contributions	82,731	-	82,731
Other	3,560	-	3,560
Net assets released from restrictions	619,508	(619,508)	-
Total revenues	12,089,036	(89,593)	11,999,443
EXPENSES:			
Program services	9,735,093	-	9,735,093
Management and general	1,103,660	-	1,103,660
Fundraising	605,230	-	605,230
Total expenses	11,443,983	-	11,443,983
CHANGE IN NET ASSETS	645,053	(89,593)	555,460
Net assets, beginning of year	6,295,995	391,164	6,687,159
NET ASSETS, END OF YEAR	$ 6,941,048	$ 301,571	$ 7,242,619

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2020

	Program Services							
	Client services	Stephenson Place	Prevention/ education	Volunteer resources	Total program services	Management and general	Fundraising	Total
Functional Expenses, 2020								
Salaries	$ 2,014,930	$ -	$ 528,620	$ 22,647	$ 2,566,197	$ 1,130,780	$ 202,254	$ 3,899,231
Payroll taxes and benefits	549,883	-	131,233	4,042	685,158	218,314	48,840	952,312
Total payroll-related expenses	2,564,813	-	659,853	26,689	3,251,355	1,349,094	251,094	4,851,543
Direct assistance to individuals	4,390,700	-	239,344	2,300	4,632,344	21,447	6,450	4,660,241
Occupancy	302,262	82,728	14,497	670	400,157	58,252	8,352	466,761
Depreciation	112,181	50,008	56,413	324	218,926	46,072	4,699	269,697
Contracted services	10,624	11,880	78,598	-	101,102	73,751	-	174,853
Travel and staff development	79,207	760	51,886	-	131,853	37,793	2,394	172,040
Professional fees	801	15,030	5,325	-	21,156	122,836	2,920	146,912
Computer equipment and software	99,060	1,259	15,508	371	116,198	21,610	6,454	144,262
Insurance	-	14,127	-	-	14,127	77,115	-	91,242
Other	41,376	2,964	-	-	44,340	11,795	3,953	60,088
Printing and newsletters	4,777	-	3,191	61	8,029	18,427	31,511	57,967
Telephone	30,458	231	9,218	207	40,114	10,386	2,573	53,073
Cost of merchandise sold	35,545	-	-	-	35,545	-	-	35,545
Office supplies	14,770	-	2,524	133	17,427	13,014	1,509	31,950
Dues, subscriptions and fees	4,094	220	241	79	4,634	14,953	11,243	30,830
Direct donor benefit costs	-	-	-	-	-	-	24,455	24,455
In-kind contributions	-	-	-	-	-	-	24,365	24,365
Postage	8,486	-	1,617	91	10,194	2,173	4,950	17,317
Bad debt	-	8,373	-	-	8,373	-	-	8,373
Events	-	-	240	-	240	625	5,697	6,562
Interest	296	-	-	-	296	3,947	-	4,243
Total functional expenses	7,699,450	187,580	1,138,455	30,925	9,056,410	1,883,290	392,619	11,332,319
Less direct donor benefit costs netted against revenue	-	-	-	-	-	-	(24,455)	(24,455)
Total expenses	$ 7,699,450	$ 187,580	$ 1,138,455	$ 30,925	$ 9,056,410	$ 1,883,290	$ 368,164	$ 11,307,864

Consolidated Statement of Functional Expenses for the Year Ended June 30, 2019

	Program Services							
	Client services	Stephenson Place	Prevention/ education	Volunteer resources	Total program services	Management and general	Fundraising	Total
Functional Expenses, 2019								
Salaries	$ 2,034,487	$ -	$ 706,208	$ 12,050	$ 2,752,745	$ 537,200	$ 285,340	$ 3,575,285
Payroll taxes and benefits	531,024	-	167,498	3,567	702,089	111,379	64,021	877,489
Total payroll-related expenses	2,565,511	-	873,706	15,617	3,454,834	648,579	349,361	4,452,774
Direct assistance to individuals	4,769,250	-	259,731	3,535	5,032,516	53,835	2,896	5,089,247
Occupancy	314,690	108,982	12,969	139	436,780	54,521	27,069	518,370
Depreciation	113,956	50,184	57,062	710	221,912	47,129	6,055	275,096
Travel and staff development	107,687	806	93,946	-	202,439	28,442	6,239	237,120
Computer equipment and software	71,192	2,380	15,403	8	88,983	24,080	20,416	133,479
Contracted services	28,390	18,259	80,034	-	126,683	531	1,600	128,814
Insurance	-	14,258	1,548	2,745	18,551	62,970	3,476	84,997
Printing and newsletters	4,792	-	3,180	17	7,989	11,039	65,317	84,345
In-kind contributions	-	-	-	-	-	-	82,731	82,731
Professional fees	105	12,650	-	-	12,755	68,178	430	81,363
Dues, subscriptions and fees	14,688	1,109	470	25	16,292	30,981	14,387	61,660
Telephone	27,553	365	8,155	58	36,131	10,460	3,347	49,938
Office supplies	15,664	-	4,802	20	20,486	17,553	5,236	43,275
Cost of merchandise sold	36,481	-	-	-	36,481	-	-	36,481
Direct donor benefit costs	-	-	-	-	-	-	24,589	24,589
Other	1,455	644	39	-	2,138	21,931	-	24,069
Interest	296	-	-	-	296	20,465	-	20,761
Postage	6,144	-	1,830	8	7,982	1,806	7,585	17,373
Bad debt	-	11,351	-	-	11,351	-	-	11,351
Events	-	-	469	25	494	1,160	9,085	10,739
Total functional expenses	8,077,854	220,988	1,413,344	22,907	9,735,093	1,103,660	629,819	11,468,572
Less direct donor benefit costs netted against revenue	-	-	-	-	-	-	(24,589)	(24,589)
Total expenses	$ 8,077,854	$ 220,988	$ 1,413,344	$ 22,907	$ 9,735,093	$ 1,103,660	$ 605,230	$ 11,443,983

Consolidated Statements of Cash Flows

Cash Flows from Operating Activities	2020	2019
CHANGE IN NET ASSETS	$ (142,287)	$ 555,460
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:		
Unrealized loss on marketable securities	9,110	11,666
Increase in value of partnership	(841)	(3,064)
Depreciation	269,697	275,096
Loss on sale of equipment	9,318	23,549
Contributions restricted for long-term purposes	(61,068)	(288,710)
CHANGES IN OPERATING ASSETS AND LIABILITIES:		
Grants and contracts receivable	102,401	414,240
Pledges receivable	8,486	13,648
Other receivables	(5,945)	29,609
Prepaid expenses	4,231	38,786
Inventory	3,359	567
Accounts payable	(31,847)	(110,374)
Subrecipient grants payable	998	(2,010)
Accrued payroll and vacation	42,674	2,463
Due to related parties	(1,277)	(2,600)
Other accrued liabilities	(17,170)	(31,301)
Security deposit liabilities	(1,116)	(1,576)
Net cash provided by operating activities	188,723	925,449
Cash Flows from Investing Activities		
Distributions from partnership	8,176	21,000
Purchases of marketable securities	(89,973)	(1,134)
Purchases of property and equipment	(307,755)	(92,312)
Net cash used in investing activities	(389,552)	(72,446)
Cash Flows from Financing Activities		
Payments on notes payable	(380,032)	(27,359)
Proceeds from PPP note payable	883,887	-
Collections of contributions restricted for long-term purposes	77,219	349,628
Net cash provided by financing activities	581,074	322,269
NET INCREASE IN CASH AND CASH EQUIVALENTS	380,245	1,175,272
Cash and cash equivalents at beginning of year	1,730,176	554,904
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,110,421	$ 1,730,176
Supplemental Disclosures		
Interest paid	$ 4,242	$ 20,761

The accompanying notes are an integral part of these financial statements.
See Independent Auditors' Report.

NOTE A. SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied by Southern Arizona AIDS Foundation ("SAAF") in the preparation of its financial statements follows:

ORGANIZATION AND BUSINESS ACTIVITY

SAAF, a not-for-profit organization incorporated in the state of Arizona, was established to increase an awareness of the AIDS epidemic in Southern Arizona through education, as well as providing support for individuals with HIV/AIDS. Funding is received from a variety of sources, including federal, state and local government agencies, other not-for-profit organizations, private and corporate donors, fees for services and product sales. The programs of SAAF include:

Client Services: Care services ensure that people living with HIV/AIDS have access to services that they need to maintain optimal health and live as independently and safely as possible. Care services are grouped into three areas: Clinical Services, Support Services, and Housing Services.

Prevention/Education: SAAF's Prevention Department creates healthier communities through innovative education, training, and outreach services to reduce the transmission of HIV, hepatitis, and sexually transmitted infections by using safe and supportive approaches through education targeted at both high-risk populations and the general public.

Volunteer Resources: Volunteers are given training, continuing education, and staff support to acquire the skills needed to take on these important roles throughout the organization.

Stephenson Place, Inc. ("Stephenson Place"), a wholly owned subsidiary of SAAF, is a not-for-profit organization incorporated in the state of Arizona. Stephenson Place is operated under Section 811 of the National Affordable Housing Act and regulated by the U.S. Department Housing and Urban Development ("HUD"), with respect to rental charges and operating methods. SAAF has controlling authority over Stephenson Place through board appointments and common management, and accordingly, the financial statements of both organizations (collectively the "Organization") have been consolidated.

The Organization's Board of Directors established SAAF, LLC (the "LLC"), an Arizona limited liability company, that is wholly owned by SAAF. The LLC was formed to hold a donated timeshare, which is included in "other assets" on the consolidated statements of financial position.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of SAAF, Stephenson Place, and the LLC. All significant inter-organization accounts and transactions have been eliminated in consolidation.

BASIS OF PRESENTATION

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the notes are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared in accordance with FASB ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to existence or absence of donor-imposed restrictions.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.

With Donor Restrictions – Net assets that represent resources restricted by the donor with the restriction being either time or purpose oriented.

All contributions are considered to be available for use unless specifically restricted by the donor. Contributions of long-lived assets not having a donor-imposed purpose or time restrictions are reported as without donor restrictions contributions in amounts equal to the fair value of the contributed assets.

Expenses are generally reported as decreases in net assets. Expirations of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another are reported as restriction releases between the applicable classes of net assets. Contributions and investment revenues that are received with donor-imposed restrictions that are expended in the same period as the revenue is recognized are classified as net assets without donor restrictions.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

During the year ended June 30, 2020, the Organization adopted the new accounting pronouncements described below. The Organization did not restate net assets as a result of the adoption of the new standards as there was no material impact on previously reported amounts.

ASU No. 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*

On June 21, 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU No. 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made, assisting entities in evaluating whether transactions should be accounted for as nonreciprocal contributions or as exchange transactions and determining whether a contribution is conditional. ASU No. 2018-08 is effective for annual periods or fiscal years beginning after December 15, 2018.

ASU No. 2016-01 *Financial Instruments - Overall*

On January 5, 2016, the FASB issued ASU No. 2016-01, *Financial Instruments - Overall*. ASU No. 2016-01 enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. ASU No. 2016-01 is effective for annual periods or fiscal years beginning after December 15, 2018.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash balances and short-term investments with an original purchased maturity of three months or less. Cash that is donor restricted for long-term purposes has been included in the accompanying financial statements under the caption cash restricted for property and equipment and is not included in cash and cash equivalents.

Included in cash and cash equivalents are certain funds that are restricted in use and not available for general use. The Organization holds funds in trust for security deposits as is obligated to maintain reserves for residual receipts and replacements as required by HUD. Restricted cash amounted to $85,541 and $107,025 as of June 30, 2020 and 2019, respectively.

The Organization places its cash and cash equivalents with various financial institutions. At times, such investments may be in excess of the FDIC insurance limits; However, management does not believe the Organization is exposed to any significant credit risk on cash and cash equivalents.

CONTRIBUTIONS AND PLEDGES

Contributions are recognized as revenue when a donor makes an unconditional promise to give to the Organization. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

SAAF’s policy is to consider discounting pledges that are greater than three years and larger than or equal to $5,000. When the actual payment stream on pledges receivable does not match management's estimate, management's policy is to treat the remaining pledge receivable as receivable on an equal pro rata basis over the remaining term of the pledge.

INVENTORIES

Inventory is valued at the lower of cost (first-in first-out method) or market. Inventories for the Organization consist of Buyers Club merchandise, which consists of various nutritional supplements held for resale.

INVESTMENT VALUATION AND INCOME RECOGNITION

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded as earned. Dividends are recorded on the ex-dividend date. Investment expenses are recorded as a reduction in investment earnings.

GAAP establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under GAAP are described below:

<u>Level 1</u> Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

<u>Level 2</u> Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

<u>Level 3</u> Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organizations investments are summarized in Note E. The Organization's other investments include an interest in a partnership, which is carried at estimate fair value. The Organization cannot obtain the underlying assets until the partnership dissolves. The Organization's interest in the partnership has been classified in the accompanying financial statements as temporarily restricted net assets due to the time restriction on the use of the funds.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. The estimated useful lives of the assets are as follows:

	Years
Buildings & improvements	5 - 40
Furniture & fixtures	3 - 10
Equipment	3 - 10
Vehicles	5
Computer software	3 - 5

SAAF capitalizes purchased property and equipment in excess of $5,000 with a useful life of more than one year. Stephenson Place capitalizes purchased property and equipment costing more than $1,000 with a useful life of more than one year. Donated fixed assets are recorded at their fair value at the date of the gift. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation or amortization is removed from the respective accounts, and any resulting gain or loss is recognized.

Cash Restricted for Property and Equipment

Cash restricted for property and equipment includes cash with donor-imposed restrictions limiting its use for long-term investment in property and equipment.

Vacation Pay

Vacation pay is accrued as a liability when earned by the employees who receive vested rights to this employee benefit.

Accounts Payable

Accounts payable includes the accrual of invoices for goods and services received prior to year-end. Additionally, SAAF records medical and dental expenses of its clients that are subject to reimbursement based upon when the service is received. SAAF has a 60-day cut-off period where they closely evaluate invoices received and dates of services performed to determine if the invoices should be accrued as expense and corresponding revenue.

Functional Expenses

The costs of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited.

Donated Goods, Facilities and Services

Donated goods and facilities are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value when the services received require specialized skill and the services are provided by individuals possessing those skills, and would typically be purchased if not provided by donation.

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

Advertising

The Organization expenses all advertising costs as incurred. Advertising expense for the years ended June 30, 2020 and 2019 were $22,962 and $32,234, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contributions are recorded as increases in net assets without donor restrictions when unconditionally promised to the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. All promises receivable are due in less than one year.

Government contracts and grants consists primarily of federal grants. The grant amounts are recorded as increases in net assets without donor restrictions when unconditionally promised to the Organization or when the conditional barriers have been overcome. Most of the grants are awarded on a cost reimbursement basis and, accordingly, are recognized in revenue when the allowable costs are incurred.

INCOME TAX STATUS

SAAF and Stephenson Place are separately exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SAAF's and Stephenson Place's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, SAAF and Stephenson Place qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have both been classified as organizations other than private foundations under Section 509(a)(2). The LLC, as a single member LLC, is a disregarded entity for tax purposes. Accordingly, no separate provision for income tax has been made in these financial statements.

Accounting principles generally accepted in the United States of America clarify the accounting for uncertainty in income taxes by creating a framework to recognize, measure, present, and disclose in financial statements uncertain tax positions that have been taken or expect to be taken in a tax return. The Organization's management believes there is no material possible existence of uncertain tax positions for which it is reasonably possible that reported total amounts could significantly differ from amounts that may be determined upon examination by taxing authorities. The Organization is no longer subject to federal tax examinations for years before 2016 and state tax examinations for years before 2015, unless specific conditions are met.

FINANCIAL INSTRUMENTS

Financial instruments that subject the Organization to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and grants and contracts receivable. The total loss that would occur if the accounts became uncollectible is the stated balance of the financial instruments reported in the accompanying consolidated statements of financial position.

RECLASSIFICATIONS

Certain accounts in the prior year's financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications have no effect on previously reported net assets.

NOTE B. GRANTS AND CONTRACTS RECEIVABLE

The Organization bills for program services rendered under various grants and contracts in accordance with the contract terms. Most billing is rendered monthly, but some is rendered quarterly. Management believes that, based upon prior experience, all receivables are collectible and, accordingly, has recorded no allowance for uncollectable grants and contracts receivable at June 30, 2020 and 2019.

At June 30, 2020, the following amounts were billed under various grants and contracts and paid by the various grantor entities in fiscal year 2021:

Contract billings to federal programs	$ 1,538,302
Contract billings to county programs	192,256
Total grants and contracts receivable	$ 1,730,558

At June 30, 2019, the following amounts were billed under various grants and contracts and paid by the various grantor entities in fiscal year 2020:

Contract billings to federal programs	$ 1,718,081
Contract billings to county programs	114,878
Total grants and contracts receivable	$ 1,832,959

NOTE C. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2020 and 2019 consisted of unconditional promises to give in the amounts of $60,185 and $84,822, respectively. Management believes all pledges receivable are fully collectible, and, accordingly, has recorded no allowance for uncollectible pledges at June 30, 2020 and 2019. All long term-pledges receivable are expected to be collected within one year.

NOTE D. BEQUEST RECEIVABLE

During the year ended June 30, 2014, SAAF became the beneficiary of a donor bequest. The estate has not been fully liquidated. SAAF has received $100,000 in payments from the estate as of June 30, 2020. Based on correspondence from the trustee, management estimates the amount that remains receivable as of June 30, 2020 to be $4,000, and has included this amount in other receivables.

NOTE E. INVESTMENTS

The financial statement value and value and cost basis of investments are summarized as follow as of June 30:

	2020 Financial statement value	2020 cost	2019 Financial statement value	2019 cost
Marketable securities				
Mutual funds	$ 109,894	$ 110,962	$ 112,798	$ 112,962
Common stock	262,398	228,124	167,241	128,914
Total marketable securities	372,292	339,086	280,039	241,876
Other investments				
Fixed annuity	-	-	11,390	10,202
Partnership interests	13,394	13,394	20,729	20,729
Total other investments	13,394	13,394	32,119	30,931
Total investments	$ 385,686	$ 352,480	$ 312,158	$ 272,807

The Organization's policies with respect to valuing the various categories of investments as of June 30, 2020 and 2019 are as follows:

Mutual funds are valued at the net asset value as reported by the fund manager at the close of business which is a readily determinable fair value in accordance with GAAP.

Common stock is valued at the closing prices at the close of business as reported on nationally recognized stock exchanges which represents fair value.

Fixed annuities are valued at contract value as reported by the issuing insurance company.

Partnership interests are recorded at the Organization's capital account, which represents the net amount expected to be realized and approximates fair value.

The following table sets forth by level within the fair value hierarchy, and by class of investment, the Organization's assets that are carried at fair value as of June 30, 2020 and 2019:

Investments at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 109,894	$ -	$ -	$ 109,894
Common stock	262,398	-	-	262,398
Partnership interests	-	-	13,394	13,394
Total investments at fair value	$ 372,292	$ -	$ 13,394	$ 385,686

Investments at fair value as of June 30, 2019:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 112,798	$ -	$ -	$ 112,798
Common stock	167,241	-	-	167,241
Partnership interests	-	-	20,729	20,729
Total investments at fair value	$ 280,039	$ -	$ 20,729	$ 300,768

Fair values of assets measured on a recurring basis for the year ended June 30, 2020 using significant unobservable inputs (Level 3) consisted of the following:

	Beginning balance	Contributions	Distributions	Change in value	Ending value
Partnership interests	$ 20,729	$ -	$ 8,176	$ 841	$ 13,394

Fair values of assets measured on a recurring basis for the year ended June 30, 2019 using significant unobservable inputs (Level 3) consisted of the following:

	Beginning balance	Contributions	Distributions	Change in value	Ending value
Partnership interests	$ 38,665	$ -	$ 21,000	$ 3,064	$ 20,729

Investment income consisted of the following for the years ended June 30:

	2020	2019
Interest and dividends	$ 9,442	$ 10,127
Unrealized (losses) gains	(9,110)	(11,666)
Increase in value of partnership interest	841	3,064
Total invesment income	$ 1,173	$ 1,525

NOTE F. PROPERTY AND EQUIPMENT

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

	SAAF	Stephenson Place	Total
Land	$ 513,074	$ 120,000	$ 633,074
Buildings & improvements	4,986,154	1,632,071	6,618,225
Furniture & fixtures	155,583	17,221	172,804
Equipment	84,083	42,607	126,690
Vehicles	8,278	-	8,278
Computer software	168,586	8,146	176,732
Total PP&E	5,915,758	1,820,045	7,735,803
Less accumulated depreciation	(2,448,371)	(1,012,807)	(3,461,178)
Total property and equipment, net	$ 3,467,387	$ 807,238	$ 4,274,625

Property and equipment consisted of the following at June 30, 2019:

	SAAF	Stephenson Place	Total
Land	$ 513,074	$ 120,000	$ 633,074
Buildings & improvements	4,709,068	1,633,742	6,342,810
Furniture & fixtures	155,434	17,221	172,655
Equipment	81,219	42,607	123,826
Vehicles	8,278	-	8,278
Computer software	168,586	8,146	176,732
Total PP&E	5,635,659	1,821,716	7,457,375
Less accumulated depreciation	(2,243,533)	(967,957)	(3,211,490)
Total property and equipment, net	$ 3,392,126	$ 853,759	$ 4,245,885

NOTE G. NOTES PAYABLE

Notes payable debt consists of the following as of June 30:

	2020	2019
Note payable to Stan S. Katz, effective June 30, 2016, due in 36 monthly installments of $2,752, including interest at 5.50% per annum, maturing July 31, 2019, on which the unpaid balance of said principal sum, together with interest due thereon shall become due and payable in full. Collateralized by a deed of trust in real property (4th Avenue). The balance of the note was paid in full in fiscal year 2020.	$ -	$ 365,227
Note payable to the City of Tucson, an Arizona municipal corporation, effective December 2011, due in 20 annual installments, beginning in 2019, of $15,101, including interest at a one-time 2% simple interest, maturing December 2039, collateralized by a deed of trust in real property (Glenn) and a security interest in rents and profits of the property. The City and SAAF periodically review this note, and if permissible under the HOME Investment Partnership Program, will release and forgive the note based on the amount of funds obtained and used to improve the property.	266,490	281,295
Total notes payable	266,490	646,522
Less current portion of notes payable	(14,805)	(380,032)
Long-term portion of notes payable	$ 251,685	$ 266,490

The carrying value of assets pledged as collateral on notes payable is as follows:

Collateral	2020	2019
Glenn Street property	$ 380,758	$ 404,976
TLC/4th Avenue	1,218,823	1,262,613

The scheduled maturities of notes payable at June 30, 2020 are as follows:

	Principal Payments
2021	$ 14,805
2022	14,805
2023	14,805
2024	14,805
2025	14,805
Thereafter	192,465
Total	$ 266,490

NOTE H. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

The Organization received a loan, in the form of a note payable, from Arizona Central Credit Union in the amount of $883,887 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The note payable is subject to a note dated May 15, 2020 and may be forgiven to the extent that proceeds are used for eligible expenditures, such as payroll and other expenses, described in the CARES Act. The note payable bears interest at a rate of 1.00 percent, based on a 365/365 simple interest basis and is payable in monthly installments of principal and interest over 18 months beginning 6 and 1/2 months from the date of the note, provided the initial payments be applied first to interest accrued during the deferral period until all deferred interest has been paid. The note payable may be repaid at any time with no prepayment penalty.

In June 2020, Congress passed the Paycheck Protection Program Flexibility Act of 2020. The Act extended the deferral period until the loan forgiveness determination date. The schedule of future maturities of long-term debt is presented under the terms of the original promissory note payable as modified by the Paycheck Protection Program Flexibility Act of 2020. Subsequent to year end, the Organization received a Paycheck Protection Program payment forgiveness notice from the Small Business Administration effective November 16, 2020.

The scheduled maturities of notes payable at June 30, 2020 are as follows:

	Principal Payments
2021	$ 339,661
2022	544,226
Thereafter	-
Total	$ 883,887

NOTE I. LINE OF CREDIT

SAAF has a $250,000 revolving line of credit with JPMorgan Chase Bank, with zero outstanding as of June 30, 2020 and 2019, respectively. Interest accrues at a variable rate of the Prime Rate plus 2.8% (Prime Rate at June 30, 2020 was 5.50%). The greater of accrued interest and fees on any outstanding balance or $100 is due monthly. The line is available until the Organization receives written notice from the bank that no further advances are available, or until the Final Availability Date. After the Final Availability Date, monthly payments of the greater of accrued interest and 1/60th of the unpaid principal balance or $250 are due. The line of credit is collateralized by a deed of trust on real property (Euclid) with a carrying value of $519,896 and $548,202 as of June 30, 2020 and 2019, respectively.

Note J. Donor Restricted Net Assets

Donor restricted net assets consisted of the following at June 30:

	2020	2019
Prevention and Outreach	$ 95,898	$ 88,085
Community Resources	105,539	68,408
Food Programs	27,754	45,311
Client Services	45,359	37,587
Complimentary Therapies	24,157	26,013
Future Operations and Events	14,688	22,152
Building and Facilities	3,705	14,015
Total donor restricted net assets	$ 317,100	$ 301,571

Note K. In-Kind Contributions

In-kind contributions consisted of the following at June 30:

	2020	2019
Direct assistance to individuals	$ 22,181	$ 20,322
Advertising	2,184	5,050
Special events non-direct donor benefit	-	57,359
Total in-kind contributions	$ 24,365	$ 82,731

Note L. Operating Leases

SAAF leases equipment under three non-cancelable operating leases with monthly payments of $377, $29, and $1,540, respectively. The leases expire in December 2020, August 2022, and September 2022, respectively. Equipment rent expense for the years ended June 30, 2020 and 2019 was $23,616 and $31,785, respectively.

SAAF leases office and other spaces under two non-cancelable operating leases with monthly payments of $4,945 and $400. The leases expire in October 2022 and January 2021 respectively. Space rent expense for the years ended June 30, 2020 and 2019 was $76,130 and $72,416, respectively.

Minimum future lease payments under existing leases for the remaining terms in excess of one year are as follows for the years ending June 30:

2021	$ 85,821
2022	79,405
2023	25,068
Total future minimum lease payments	$ 190,294

SAAF rents facilities to very low income, disabled tenants. These leases are generally limited to one-year terms, are supported by government subsidies, are subject to adjustments based on tenant circumstances, and are cancelable by the tenant without penalty. Accordingly, no minimum future rents receivable is presented.

NOTE M. CONTINGENCIES

GRANT LIENS

SAAF received $240,000 from the U.S. Department of Housing and Urban Development for the purchase and renovation of the Palo Verde property. The grant contains a twenty-year requirement to file an annual certification of the continued use for supportive housing. Failure to meet the use requirement could result in repayment of the grant. The use restriction expires August 2023. Both grants have required that a deed restriction be filed on the Palo Verde property.

FEDERAL AND STATE AWARDS

SAAF and Stephenson Place participate in a number of Federal and State assisted grant and contract programs, and a significant reduction in this level of support, if it were to occur, would have a material effect on the programs and activities of SAAF and Stephenson Place. The governmental agency funding is also subject to compliance audits. Assessments from these audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

Stephenson Place's primary asset is the Stephenson Place apartment project. Stephenson Place's operations are concentrated in the multifamily real estate market. In addition, they operate in a heavily regulated environment.

The operations of Stephenson Place are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with such a change.

The Section 811 HUD program provided a capital advance of $1,510,700 to Stephenson Place. The capital advance bears no interest and need not be repaid so long as the housing remains available for very low income, disabled persons for at least 40 years, or until 2037.

NOTE N. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets on a combined basis as of June 30, 2020	$ 4,286,850
Less those unavailable for general expenditures within one year, due to:	
Lease commitments	85,821
Current portion of long-term debt	14,805
Deposits held in trust	3,807
Reserves mandated by HUD	81,734
Subject to appropriation and satisfaction of donor restrictions	317,101
Total financial assets unavailable for general expenditures within one year	503,268
Financial assets available to meet cash needs for general expenditures within one year	$ 3,783,582

Financial assets consists of cash, investments, and all receivable accounts. As part of the Organization's liquidity management, management implemented a policy to structure the Organization's financial assets to be available as its general expenditures, liabilities, and other obligations become due. Typically, the Organization maintains financial assets which consist of cash, money market funds, and marketable securities in sufficient amounts to meet 90 days of normal operating expenses, which average approximately $2,700,000. These short-term, liquid investments may be used to fulfill needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity needs, SAAF has a variety of options including staging additional fundraising events and borrowing funds using long-term assets as collateral.

NOTE O. CONCENTRATIONS

The Organization derives the majority of its revenues from a number of grantors. At times, activity with particular grantors may constitute a concentration in accordance with accounting standards. As of June 30, 2020 and 2019 two grantors comprised of 76% and 20% and 70% and 18%, respectively of grant revenues. Three grantors comprised 95% of grant receivables at June 30, 2020 and one grantor comprised 73% of grants receivables at June 30, 2019. Additionally, the Organization operates seven locations within Arizona.

NOTE P. SUBSEQUENT EVENTS

Accounting principles generally accepted in the United States of America require the disclosure of the date through which subsequent events were evaluated when determining whether adjustment to or disclosure in the financial statements is required. However, the guidance does not change the definition of a subsequent event (i.e. an event or transaction that occurs after the balance sheet date but before the financial statements are issued). The Organization evaluated subsequent events through March 30, 2021 which represents the date the financial statements were available to be issued.

The Organization transferred real property to Habitat for Humanity Tucson, Inc. on August 12, 2020. The real property is situated in Pima County, State of Arizona and had a carrying value of $210,625 as of the June 30, 2020 balance sheet. The property was originally acquired by the Organization for the purpose of developing the property for low-income housing. When the funding to develop the property did not materialize, the Organization elected to transfer the property to Habitat for Humanity so it could be utilized for its intended purpose.