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, 2021 and 2020

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, 2021 and 2020, 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.

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, 2021 and 2020, 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. 2014-09 *Revenue from Contracts with Customers* ("Topic 606"). Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 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
December 2, 2021

Consolidated Statements of Financial Position as of June 30, 2021 and 2020

Assets		2021		2020
CURRENT ASSETS:				
Cash and cash equivalents	$	1,566,524	$	2,110,421
Grants and contracts receivable		2,513,576		1,649,322
Pledges receivable, net of allowance for uncollectible accounts of $12,500 and $0, respectively		43,550		60,185
Other receivables, net of allowance for uncollectible accounts of $0 and $74,675, respectively		10,559		37,869
Investments		574,322		385,686
Prepaid expenses		290,205		222,511
Inventory		6,410		9,029
Total current assets		5,005,146		4,475,023
LONG-TERM ASSETS:				
Other assets		-		6,500
Property and equipment, net of accumulated depreciation of $3,677,558 and $3,461,178, respectively		3,910,310		4,274,625
Beneficial interests in assets held by community foundation		120,216		-
Total long-term assets		4,030,526		4,281,125
TOTAL ASSETS	$	9,035,672	$	8,756,148
Liabilities and Net Assets				
CURRENT LIABILITIES:				
Accounts payable	$	289,610	$	293,663
Subrecipient grants payable		-		7,884
Accrued payroll and vacation		204,385		193,241
Due to related parties		668		1,674
Other accrued liabilities		1,161		580
Current portion of notes payable		14,805		14,805
Current portion of Paycheck Protection Program note payable		-		339,661
Security deposit liabilities		3,901		8,397
Total current liabilities		514,530		859,905
LONG-TERM LIABILITIES:				
Notes payable, less current portion		236,880		251,685
Paycheck Protection Program note payable, net of current portion		-		544,226
Total long-term liabilities		236,880		795,911
TOTAL LIABILITIES		751,410		1,655,816
NET ASSETS:				
Net assets without donor restrictions		7,625,777		6,783,231
Net assets with donor restrictions		658,485		317,101
TOTAL NET ASSETS		8,284,262		7,100,332
TOTAL LIABILITIES AND NET ASSETS	$	9,035,672	$	8,756,148

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

Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS, 2021			
REVENUES:			
Government contracts and grants	$ 10,999,550	$ -	$ 10,999,550
Contributions and other grants	359,145	751,136	1,110,281
Rent income	309,748	-	309,748
Investment income	125,618	17,289	142,907
Special events, net of $1,870 direct donor benefit costs	56,605	-	56,605
Other	61,886	-	61,886
Buyers club	39,731	-	39,731
In-kind contributions	14,418	-	14,418
Net assets released from restrictions	427,041	(427,041)	-
Total revenues	12,393,742	341,384	12,735,126
EXPENSES:			
Program services	10,440,600	-	10,440,600
Management and general	1,297,023	-	1,297,023
Fundraising	454,128	-	454,128
Total expenses	12,191,751	-	12,191,751
OTHER INCOME (EXPENSES):			
Loss on asset disposal	(17,328)	-	(17,328)
Paycheck Protection Program debt forgiveness	883,887	-	883,887
Charitable contribution of land	(210,625)	-	(210,625)
Total other income (expenses)	655,934	-	655,934
CHANGE IN NET ASSETS	857,925	341,384	1,199,309
Net assets, beginning of year	6,783,231	317,101	7,100,332
Distributions to HUD of residual receipts	(15,379)	-	(15,379)
NET ASSETS, END OF YEAR	$ 7,625,777	$ 658,485	$ 8,284,262

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	9,522,950	-	9,522,950
Management and general	1,371,787	-	1,371,787
Fundraising	413,127	-	413,127
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 FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021

	Program Services							
	Client services	Stephenson Place	Prevention/ education	Volunteer resources	Total program services	Management and general	Fundraising	Total
FUNCTIONAL EXPENSES, 2021								
Salaries	$ 2,528,327	$ -	$ 511,062	$ 36,883	$ 3,076,272	$ 567,842	$ 266,339	$ 3,910,453
Payroll taxes and benefits	667,229	-	133,182	3,825	804,236	154,321	61,205	1,019,762
Total payroll-related expenses	3,195,556	-	644,244	40,708	3,880,508	722,163	327,544	4,930,215
Direct assistance to individuals	5,226,732	-	309,223	502	5,536,457	40,948	1,183	5,578,588
Occupancy	310,039	78,047	9,940	422	398,448	72,729	7,642	478,819
Depreciation	126,285	50,153	57,336	344	234,118	48,129	4,733	286,980
Professional fees	262	13,700	25,575	-	39,537	147,271	9,829	196,637
Computer equipment and software	72,734	971	24,110	443	98,258	30,803	6,346	135,407
Insurance	-	11,873	-	3,013	14,886	80,455	-	95,341
Other	19,696	4,879	282	-	24,857	38,967	22,644	86,468
Telephone	38,961	188	8,231	414	47,794	19,350	4,421	71,565
Contracted services	-	13,227	19,911	-	33,138	31,886	-	65,024
Printing and newsletters	3,795	-	10,822	21	14,638	14,832	27,965	57,435
Travel and staff development	18,375	745	19,072	-	38,192	12,878	1,039	52,109
Dues, subscriptions and fees	5,150	52	1,229	11	6,442	16,547	20,487	43,476
Cost of merchandise sold	34,861	-	-	-	34,861	-	-	34,861
Office supplies	11,667	-	927	54	12,648	17,596	901	31,145
Postage	13,897	-	1,401	72	15,370	2,371	2,695	20,436
In-kind contributions	-	-	-	-	-	-	14,418	14,418
Bad debt	-	8,692	-	-	8,692	-	-	8,692
Events	-	-	1,460	-	1,460	98	2,281	3,839
Direct donor benefit costs	-	-	-	-	-	-	1,870	1,870
Interest	296	-	-	-	296	-	-	296
Total functional expenses	9,078,306	182,527	1,133,763	46,004	10,440,600	1,297,023	455,998	12,193,621
Less direct donor benefit costs netted against revenue	-	-	-	-	-	-	(1,870)	(1,870)
TOTAL EXPENSES	$ 9,078,306	$ 182,527	$ 1,133,763	$ 46,004	$ 10,440,600	$ 1,297,023	$ 454,128	$ 12,191,751

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	$ 2,305,790	$ -	$ 620,436	$ 27,767	$ 2,953,993	$ 704,333	$ 240,906	$ 3,899,232
Payroll taxes and benefits	609,546	-	149,922	4,434	763,902	133,258	55,151	952,311
Total payroll-related expenses	2,915,336	-	770,358	32,201	3,717,895	837,591	296,057	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	8,049,973	187,580	1,248,960	36,437	9,522,950	1,371,787	437,582	11,332,319
Less direct donor benefit costs netted against revenue	-	-	-	-	-	-	(24,455)	(24,455)
TOTAL EXPENSES	$ 8,049,973	$ 187,580	$ 1,248,960	$ 36,437	$ 9,522,950	$ 1,371,787	$ 413,127	$ 11,307,864

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

Consolidated Statements of Cash Flows

Cash Flows from Operating Activities		2021		2020
CHANGE IN NET ASSETS	$	1,199,309	$	(142,287)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:				
Realized and unrealized (gain) loss on marketable securities		(125,077)		9,110
Increase in value of partnership		(100)		(841)
Depreciation		286,980		269,697
Loss on asset disposal		17,328		9,318
Charitable contribution of land		210,625		-
Paycheck Protection Program note payable forgiveness		(883,887)		-
Contributions restricted for long-term purposes		(110,000)		(61,068)
CHANGES IN OPERATING ASSETS AND LIABILITIES:				
Grants and contracts receivable		(864,254)		183,637
Pledges receivable		7,394		8,486
Other receivables		27,310		(5,945)
Prepaid expenses		(67,694)		4,231
Inventory		2,619		3,359
Accounts payable		(4,053)		(31,847)
Subrecipient grants payable		(7,884)		998
Accrued payroll and vacation		11,144		42,674
Due to related parties		(1,006)		(1,277)
Other accrued liabilities		581		(98,406)
Security deposit liabilities		(4,496)		(1,116)
Net cash flows (used in) provided by operating activities		(305,161)		188,723
Cash Flows from Investing Activities				
Distributions from partnership		-		8,176
Purchases of marketable securities		(421,870)		(89,973)
Sales of marketable securities		358,411		-
Purchases of property and equipment		(144,118)		(307,755)
Purchase of beneficial interest in assets held by community foundation		(110,000)		-
Change in beneficial interest in assets held by community foundation		(10,216)		-
Net cash flows used in investing activities		(327,793)		(389,552)
Cash Flows from Financing Activities				
Payments on notes payable		(14,805)		(380,032)
Proceeds from paycheck protection program note payable		-		883,887
Collections of contributions restricted for long-term purposes		119,241		77,219
Distribution to HUD of residual receipts		(15,379)		-
Net cash flows provided by financing activities		89,057		581,074
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(543,897)		380,245
Cash and cash equivalents at beginning of year		2,110,421		1,730,176
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	1,566,524	$	2,110,421
Supplemental Disclosures				
Interest paid	$	296	$	4,242

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. The donated timeshare was disposed of during the year ended June 20, 2021.

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 PRONOUNCEMENT

During the year ended June 30, 2021, the Organization adopted the new accounting pronouncement described below. The Organization did not restate net assets as a result of the adoption of the new standard as there was no material impact on previously reported amounts.

ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*

On May 28, 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers ("Topic 606")*. ASU No. 2014-09 removes existing inconsistencies and weaknesses in existing revenue requirements, provides a more robust framework for addressing revenue issues, improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, and provides more useful information to users of financial statements through improved disclosure requirements. Specifically, ASU 2014-09 requires an evaluation of contracts with customers based the following five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract;(3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied. ASU No. 2014-09 is effective for annual periods or fiscal years beginning after December 15, 2019. The Organization adopted ASU 2014-09 for the year ended June 30, 2021, under a modified retrospective approach. Accordingly, the Organization evaluated each exchange contract in process at the beginning of the year to determine if the performance obligations are satisfied over time or at a point in time. The implementation of ASC 606 resulted in no cumulative effect adjustment to net assets at the beginning of the year and there was no impact on the consolidated statement of activities and changes in net assets for the year ended June 30, 2021.

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 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 $109,627 and $85,541 as of June 30, 2021 and 2020, 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.

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 Organization's investments are summarized in Note D. The Organization's other investments include an interest in a partnership, which is carried at estimated 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 30-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, 2021 and 2020 were $10,861 and $22,962, 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

To account for its revenues, the Organization first assesses whether a transaction is an exchange transaction or a contribution. Transactions in which both parties directly receive commensurate value are considered exchange transactions. Transactions for which there is no exchange of goods, services or commensurate value are considered contributions.

Exchange Transactions

Exchange Transactions are recognized in accordance with Accounting Standards Codification Topic 606 – *Revenues from Contracts with Customers* (“ASC 606”) which requires an evaluation of contracts with customers based the following five-step model: (1) identify the contract with the customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to separate performance obligations; and (5) recognize revenues when (or as) each performance obligation is satisfied.

ASC 606 requires revenues to be recognized when performance obligations are satisfied by transferring goods or services promised in a contract, in an amount that reflects the consideration that the Organization expects to receive in exchange for those goods or services. Performance obligations in the Organization’s contracts represent distinct or separate service streams that it provides.

The following revenue streams are identified as exchange transactions for which revenue is recognized in accordance with ASC 606:

Government Contracts and Grants - Government contracts and grants consists primarily of federal grants. For grants and contracts determined to be exchange transactions, the grant amounts are recorded as increases in net assets without donor restrictions when the underlying service is provided and the performance obligations are satisfied. Most of the grants are awarded on a cost reimbursement basis and, accordingly, are recognized in revenue when the allowable costs are incurred.

Rent Income - Rent income consists of funding from grants for assisting with housing needs of qualified individuals and amounts paid directly by qualified individuals. Amounts are recorded as increases in net assets without donor restrictions in the period housing is provided to the qualified individuals.

Buyers Club- Buyers club consists of retail sales of health-related products to the public. Revenue is recorded as increased in net assets without donor restrictions at the point of sale.

Special Events - Special events revenue includes corporate sponsorship of events, participant fundraising, registration fees and ticket sales. Special events transactions include both exchange and contribution components. Event ticket sales and registration fees that result in substantially commensurate value for the participant are considered exchange transactions and recognized when the event takes place. Ticket sales and registration fees in excess of commensurate value are recognized as contributions, more fully described below. Participant fundraising is recorded as contributions. Generally, the Organization considers any advertising value provided to event sponsors to be de minimis and treats all such revenue as contributions.

Contributions and Pledges

Contributions and pledges are recognized in accordance with Accounting Standards Codification Topic 958-605 *Not-for-Profit Entities – Revenue Recognition*. The Organization recognizes unconditional promises to give when the donor makes the promise. Conditional contributions are recognized when the relevant barriers are met. Donor imposed restrictions for time and purpose are not considered a significant barrier and the presence of such restrictions does not result in classification as a conditional contribution. If funds are received from the donor before the relevant barriers have been overcome, deferred revenue is recorded.

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.

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 2017 and state tax examinations for years before 2016, 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, investments, 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 amounts 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. Additionally, salaries, payroll taxes, and benefits totaling $511,503 previously included in management and general expenses in the Consolidated Statement of Functional Expenses for the year ended June 30, 2020, were reclassified to fundraising and program related amounts to more appropriately reflect the cost allocation of these expenses.

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, 2021 and 2020.

At June 30, 2021, the following amounts were billed under various grants and contracts and paid by the various grantor entities in fiscal year 2022:

Contract billings to federal programs	$	2,429,119
Contract billings to county programs		84,457
Total grants and contracts receivable	$	2,513,576

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

NOTE C. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2021 and 2020 consisted of unconditional promises to give in the amounts of $43,550 and $60,185, respectively. Management has recorded an allowance for uncollectible pledges for the years ended June 30, 2021 and 2020 of $12,500 and $0, respectively, based on their estimate of the likelihood of collection on one specific outstanding pledge. Long term-pledges receivable are expected to be collected within one year.

NOTE D. INVESTMENTS

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

	2021 Financial statement value	2021 cost	2020 Financial statement value	2020 cost
Marketable securities				
Mutual funds	$ 46,503	$ 30,907	$ 109,894	$ 110,962
Common stock	514,325	410,016	262,398	228,124
Total marketable securities	560,828	440,923	372,292	339,086
Other investments				
Partnership interests	13,494	13,494	13,394	13,394
Total other investments	13,494	13,494	13,394	13,394
Total investments	$ 574,322	$ 454,417	$ 385,686	$ 352,480

The Organization's policies with respect to valuing the various categories of investments as of June 30, 2021 and 2020 are as follows:

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

Partnership interests - 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, 2021 and 2020:

Investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 46,503	$ -	$ -	$ 46,503
Common stock	514,325	-	-	514,325
Partnership interests	-	-	13,494	13,494
Total investments at fair value	$ 560,828	$ -	$ 13,494	$ 574,322

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

Fair values of assets measured on a recurring basis for the year ended June 30, 2021 using significant unobservable inputs (Level 3) consisted of the following:

	Beginning balance	Contributions	Distributions	Change in value	Ending value
Partnership interests	$ 13,394	$ -	$ -	$ 100	$ 13,494

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

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

	2021	2020
Interest and dividends	$ 7,534	$ 9,442
Realized and unrealized gains (losses)	125,077	(9,110)
Change in beneficial interest in assets held by community foundation	10,765	-
Investment fees	(569)	-
Increase in value of partnership interest	100	841
Total investment income	$ 142,907	$ 1,173

NOTE E. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021:

	SAAF	Stephenson Place	Total
Land	$ 302,449	$ 120,000	$ 422,449
Buildings & improvements	5,027,849	1,658,556	6,686,405
Furniture & fixtures	155,583	17,221	172,804
Equipment	80,018	42,607	122,625
Vehicles	8,278	-	8,278
Computer software	167,161	8,146	175,307
Total property and equipment	5,741,338	1,846,530	7,587,868
Less accumulated depreciation	(2,625,913)	(1,051,645)	(3,677,558)
Total property and equipment, net	$ 3,115,425	$ 794,885	$ 3,910,310

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 property and equipment	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

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 donate the property to Habitat for Humanity so it could be utilized for its intended purpose. This amount is reported as charitable contributions of land under other income and expenses in the accompanying statement of activities and changes in net assets for the year ended June 30, 2021.

NOTE F. BENEFICIAL INTERESTS IN ASSETS HELD BY COMMUNITY FOUNDATION

SAAF has a beneficial interest in a custodial fund held at the Jewish Community Foundation ("JCF"), which is classified in net assets with donor restrictions. The fund is invested in a portfolio of equities, fixed income, and alternative investments, which is structured for a balanced portfolio designed to meet long-term investment horizon goals. SAAF receives distributions of earnings on an annual basis consistent with the current spending rate and methodology of the JCF.

The activity in the beneficial interests in custodial fund held by JCF consisted of the following for the year ended June 30, 2021:

Balance at beginning of year	$	-
Investment income (loss)		214
Purchases		110,000
Balance at end of year	$	110,214

SAAF has a beneficial interest in an endowment fund held at the Jewish Community Foundation, which is classified in net assets with donor restrictions. The fund is invested in a portfolio of equities, fixed income, and alternative investments, which is structured for a balanced portfolio designed to meet long-term investment horizon goals. SAAF receives distributions of earnings on an annual basis consistent with the current spending rate and methodology of the JCF.

The activity in the beneficial interest in an endowment fund held by JCF consisted of the following for the year ended June 30, 2021:

Balance at beginning of year	$	-
Investment income (loss)		2
Purchases		10,000
Balance at end of year	$	10,002

NOTE G. EMPLOYEE BENEFIT PLAN

Effective July 1, 2020 the Company offers a defined contribution 401(k) employee benefit plan (the "Plan") for the benefit of its employees. All employees are eligible to participate. The Plan contains both a discretionary profit-sharing contribution and a matching contribution on employee deferrals for those employees who have completed one year of service with 1,000 hours. For the year ended June 30, 2021, the Company made matching contributions of $18,620.

NOTE H. NOTES PAYABLE

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

	2021	2020
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.	$ 251,685	$ 266,490
Total notes payable	251,685	266,490
Less current portion of notes payable	(14,805)	(14,805)
Long-term portion of notes payable	$ 236,880	$ 251,685

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

Collateral	2021	2020
Glenn Street property	$ 392,874	$ 380,758

The scheduled maturities of notes payable at June 30, 2021 are as follows:

	Principal Payments
2022	$ 14,805
2023	14,805
2024	14,805
2025	14,805
2026	14,805
Thereafter	177,660
Total	$ 251,685

NOTE I. 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 is forgivable 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.

On November 16, 2020, the principal balance of $883,887 and accrued interest of $4,480 were forgiven.

NOTE J. LINE OF CREDIT

SAAF has a $250,000 revolving line of credit with JPMorgan Chase Bank, with zero outstanding as of June 30, 2021 and 2020, respectively. Interest accrues at a variable rate of the Prime Rate plus 2.8% (Prime Rate at June 30, 2021 was 3.25%). 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. 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 $511,295 and $519,896 as of June 30, 2021 and 2020, respectively.

NOTE K. DONOR RESTRICTED NET ASSETS

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

	2021	2020
Prevention and Outreach	$ 190,047	$ 95,898
Community Resources	144,292	105,539
Food Programs	86,953	27,754
Client Services	52,570	45,359
Complimentary Therapies	45,404	24,157
Future Operations and Events	135,004	14,688
Building and Facilities	4,210	3,705
Total donor restricted net assets	$ 658,480	$ 317,100

NOTE L. IN-KIND CONTRIBUTIONS

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

	2021	2020
Direct assistance to individuals	$ 10,643	$ 22,181
Advertising	-	2,184
Special events, non-direct donor benefit	3,775	-
Total in-kind contributions	$ 14,418	$ 24,365

NOTE M. OPERATING LEASES

SAAF leases equipment under two non-cancelable operating leases with monthly payments of $29, and $1,540, respectively. The leases expire in August 2022, and September 2022, respectively. Equipment rent expense for the years ended June 30, 2021 and 2020 was $25,765 and $23,616, respectively.

SAAF leases office and other spaces under two non-cancelable operating leases with monthly payments of $5,103 and $1,039. The leases expire in October 2022 and July 2022 respectively. SAAF leases five other spaces on a month-to-month basis with payments of approximately $2,000 per month. Space rent expense for the years ended June 30, 2021 and 2020 was $108,542 and $129,511, 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:

2022	$ 94,098
2023	26,771
Total future minimum lease payments	$ 120,869

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 N. CONTINGENCIES

The Organization is involved from time-to-time in various claims and legal actions in the ordinary course of business. Management does not believe that the impact of such matters will have a material adverse effect on the Organization's financial position or results of operations when resolved.

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 O. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets on a combined basis as of June 30, 2021	$ 4,708,531
Less those unavailable for general expenditures within one year, due to:	
Lease commitments	94,098
Current portion of long-term debt	14,805
Deposits held in trust	3,807
Reserves mandated by HUD	105,820
Subject to appropriation and satisfaction of donor restrictions	658,485
Total financial assets unavailable for general expenditures within one year	877,015
Financial assets available to meet cash needs for general expenditures within one year	$ 3,831,516

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 need, SAAF has a variety of options including borrowing against the line of credit, staging additional fundraising events, and borrowing funds using long-term assets as collateral.

NOTE P. 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, 2021 and 2020, two grantors comprised of 94% and 96%, respectively of government contracts and grant revenues. Two grantors comprised 88% of grant and contracts receivables at June 30, 2021 and three grantors comprised 95% of grants and contracts receivables at June 30, 2020. Additionally, the Organization operates seven locations within Arizona.

NOTE Q. 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. A subsequent event is an event or transaction that occurs after the balance sheet date but before the financial statements are issued. The Organization evaluated subsequent events through December 2, 2021 which represents the date the financial statements were available to be issued.