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

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended June 30, 2019

CONTENTS

FESTER & CHAPMAN PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors of
Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona
Mesa, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona (the Organization, nonprofit corporations), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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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 Save the Family Foundation of Arizona and A.R.M. of Save the Family Foundation of Arizona as of June 30, 2019, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, in the year ended 2019, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*, which requires various presentation changes to not-for-profit financial statements. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Fester & Chapman, PLLC

December 18, 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

Current assets:	
Cash	$ 2,230,512
Grants receivable	269,964
Promises to give receivable, current portion	162,237
Prepaid expenses	6,022
Total current assets	2,668,735
Promises to give receivable, less current portion	96,735
Long-term notes receivable from affiliate	2,709,288
Property and equipment, net	10,131,756
Investment in affiliate	162,760
Deposits	1,900
Total assets	$ 15,771,174

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	$ 158,680
Accrued expenses	133,372
Refundable advances and deferred income	84,546
Notes payable, current portion	12,525
Total current liabilities	389,123
Notes payable, less current portion	1,768,411
Total liabilities	2,157,534
Net assets:	
Without donor restrictions:	
Board designated	900,000
Undesignated	11,885,536
Total net assets without donor restrictions	12,785,536
With donor restrictions	828,104
Total net assets	13,613,640
Total liabilities and net assets	$ 15,771,174

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, support and gain:			
Government grants	$ 2,926,050		$ 2,926,050
United Way contributions	187,000	$ 50,000	237,000
Contributions	1,392,771	703,850	2,096,621
In-kind contributions	619,143		619,143
Client and management fees	398,000		398,000
Rental income	1,017,235		1,017,235
Miscellaneous	44,528		44,528
Gain on disposals of assets	98,185		98,185
Fundraising events:			
Gross fundraising events revenue	205,774		205,774
Less: direct donor benefit costs	(129,820)		(129,820)
Net fundraising events revenue	75,954		75,954
Net assets released from restrictions:			
Satisfaction of donor requirements	507,075	(507,075)	
Total revenue, support and gain	7,265,941	246,775	7,512,716
Expenses:			
Program services:			
Transitional Housing	652,272		652,272
Step Up	12,437		12,437
FACES	509,522		509,522
Rapid Rehousing	2,001,144		2,001,144
LIHTC Programs	361,230		361,230
A.R.M./Property Management	2,529,211		2,529,211
Total program services	6,065,816		6,065,816
Management and general	489,190		489,190
Fundraising	805,428		805,428
Total expenses	7,360,434		7,360,434
Change in net assets	(94,493)	246,775	152,282
Net assets, beginning of year	12,880,029	581,329	13,461,358
Net assets, end of year	$ 12,785,536	$ 828,104	$ 13,613,640

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	Program Services							Supporting Services		
	Transitional Housing	Step Up	FACES	Rapid Rehousing	LIHTC Programs	A.R.M./ Property Management	Total Program Services	Management and General	Fundraising	Total
Salaries	$ 244,967		$ 206,977	$ 400,260	$ 170,285	$ 351,682	$ 1,374,171	$ 250,711	$ 464,070	$ 2,088,952
Employee related	49,591		42,052	81,000	34,892	70,373	277,908	42,720	72,365	392,993
Depreciation	5,262		13,793	9,317	4,257	438,394	471,023	8,091	20,004	499,118
Direct assistance to individuals	99,469		123,401	1,356,097	65,161	745,424	2,389,552			2,389,552
Direct unit costs	140,504	$ 12,437				683,241	836,182			836,182
Equipment	6,029		9,334	15,254	4,803	8,798	44,218	3,780	10,080	58,078
Materials and supplies	4,098		5,422	7,964	3,584	9,781	30,849	3,459	27,509	61,817
Operating	9,625		10,866	21,466	21,634	78,255	141,846	20,962	101,269	264,077
Other expenses	1,173		6,944	501	205	420	9,243			9,243
Professional and outside services	44,303		37,673	13,839	15,015	58,212	169,042	122,265	45,425	336,732
Interest				4,180			4,180	7,356		11,536
Space and occupancy	35,564		33,066	58,902	32,009	61,588	221,129	27,468	53,292	301,889
Travel	11,687		19,994	32,364	9,385	23,043	96,473	2,378	11,414	110,265
Total expenses	$ 652,272	$ 12,437	$ 509,522	$ 2,001,144	$ 361,230	$ 2,529,211	$ 6,065,816	$ 489,190	$ 805,428	$ 7,360,434

The accompanying notes are an integral part of these statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash flows from operating activities:	
Change in net assets	$ 152,282
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	499,118
Gain on disposals of assets	(98,185)
Change in discount on promises to give receivable	(587)
Changes in:	
Grants receivable	126,916
Promises to give receivable	131,672
Prepaid expenses	11,357
Deposits	1,000
Accounts payable	94,013
Accrued expenses	(20,755)
Refundable advances and deferred income	1,309
Net cash provided by operating activities	898,140
Cash flows from investing activities:	
Purchases of property and equipment	(503,940)
Proceeds from sales of property and equipment	224,500
Loans to affiliate	(675,000)
Net cash used by investing activities	(954,440)
Cash flows from financing activities:	
Net proceeds from note payable	675,000
Net payments on line-of-credit	(173,445)
Payments on notes payable	(128,596)
Net cash provided by financing activities	372,959
Net increase in cash	316,659
Cash, beginning of the year	1,913,853
Cash, end of the year	$ 2,230,512
Supplemental disclosures	
Cash paid during the year for interest	$ 11,536

The accompanying notes are an integral part of these statements.

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principal Business Activities
Save the Family Foundation of Arizona (STF) is an Arizona nonprofit corporation which provides transitional housing and permanent housing services to needy and homeless families. Primary sources of revenue are governmental funding and donations.

Affordable Rental Movement (ARM) of Save the Family Foundation of Arizona was formed in 1992 to develop permanent affordable housing rental opportunities for low income families.

STF and ARM are collectively referred to herein as The Organization.

The major programs of STF and ARM include:

Transitional Housing: Scattered-site housing units for housing homeless families for up to 24 months.

Step Up to Independence: In fiscal year 2019, STF began the start-up processes for a new program, Step Up to Independence (Step Up). With programmatic expansion scheduled for fiscal year 2020 and beyond, this new program model targets homeless families living doubled up, in their cars, and in other temporary situations, currently unserved by federal government funding. For this growing population of vulnerable families, STF will offer a two year program providing housing and supportive services.

Family, Adult and Children's Empowerment Services (FACES): Financial literacy, intervention/prevention education, workforce development, professional clothing, household furnishings, supplemental food, and client transportation. Legal, dental, and vision services are provided through volunteer attorneys and physicians.

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

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

Principles of Consolidation
ARM and STF are consolidated due to the programmatic dependence of ARM on STF to place clients into its housing units. All significant interagency accounts and transactions have been eliminated in consolidation.

Use of Estimates
In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

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

Financial Statement Presentation

The Organization follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, requiring the Organization to report information regarding its financial position and activities according into two classes of net assets: without donor restrictions and with donor restrictions.

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

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

Government Grants

The Organization recognizes amounts received from contracts and grants as earned when the services are rendered under a unit of service contract. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of non-compliance by the Organization with the terms of the contract. the Organization has contracts with the cities of Mesa, Scottsdale, Tempe, and Chandler, as well as Maricopa County, and HUD. These grants represent 40% of the Organization's revenues for the year ended June 30, 2019.

Concentrations of Credit Risk

Cash includes cash held in checking, savings, and money market accounts. At times, the Organization maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation (FDIC).

Receivables

The Organization's receivables consist primarily of amounts due from government agencies. the Organization does not require collateral for receivable balances and does not charge interest on receivables that are past due. Receivable balances are considered past due if not paid within the invoice's stated terms, which vary by agency. Management has determined all amounts to be collectable, and therefore an allowance for receivables is not deemed necessary.

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition or at their estimated fair value on the date of donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Depreciation of property and equipment is computed using the straight line method over the estimated useful lives of the assets, which range from five to 30 years. Amortization of leasehold improvements is computed using the straight line method over the estimated useful life of the improvements, which is the lesser of the estimated useful life or remaining term of the applicable lease. The Organization's capitalization policy requires individual assets to be capitalized if the original cost or estimated fair value on the date of donation exceeds $5,000. Maintenance and repairs are charged to expense when incurred.

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

Promises to Give
Unconditional promises to give that are expected to be collected within one year are recorded as promises to give at net realizable value. Unconditional promises to give that are expected to be collected in future periods are recorded using present value techniques incorporating risk-adjusted discount rates applicable to the years in which the promises to give are received. In subsequent years, amortization of the discount is included in contribution revenue in the consolidated statement of activities. Conditional promises to give are not recognized as support until the conditions are substantially met.

Promises to give are stated as unpaid balances, net of discounts, less an allowance for doubtful accounts as deemed necessary. the Organization provides for losses on promises to give using the allowance method. The allowance is based on experience, knowledge of the donors, the industry, and other circumstances which may affect the ability of donors to meet their obligations. It is the Organization's policy to charge off uncollectible promises to give when management determines collection is doubtful. Management considers receivables at June 30, 2019 to be fully collectable and, accordingly, an allowance for doubtful accounts is not deemed necessary.

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

Functional Expense Allocation
The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Change in Accounting Principle
On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 2).

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

Financial assets included in current assets:	
Cash	$ 2,230,512
Grants receivable	269,964
Promises to give receivable, current portion	162,237
Total financial assets included in current assets	2,662,713
Less amounts unavailable for general expenditure within one year:	
Board designated net assets	(900,000)
Net assets with donor restrictions	(828,104)
Financial assets available to meet cash needs for general expenditures within one year	$ 934,609

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

NOTE 3 - PROMISES TO GIVE RECEIVABLE, NET

Contributions receivable consisted of the following at June 30, 2019:

Promises to give – from organizations	$ 205,000
Promises to give – from individuals	55,078
	260,078
Discount on promises to give receivable (2.8%)	(1,106)
Net promises to give receivable	$ 258,972

Promises to give receivable are due as follows as of June 30, 2019:

Due within one year	$ 162,237
Due within two to four years	97,841
	260,078
Discount on promises to give receivable (2.8%)	(1,106)
Net promises to give receivable	$ 258,972

NOTE 4 - DUE FROM AFFILIATES

Escobedo at Verde Vista, LLC
ARM has three notes receivable due from Escobedo at Verde Vista, LLC, a related party, which totaled $2,034,288 at June 30, 2019.

NOTE 4 - DUE FROM AFFILIATES - Continued

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

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

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

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

NOTE 5 - INVESTMENT IN AFFILIATE

Investment in affiliate consists of cash contributions to an affordable multifamily housing partnership where ARM is the general partner and has a .01% ownership interest in the affiliate. Investment value is adjusted by ARM's portion of the partnership's income/loss each year. At June 30, 2019, ARM's investment in affiliate totaled $162,760.

NOTE 6 - PROPERTY AND EQUIPMENT, NET

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

Land	$ 2,687,917
Buildings	11,600,035
Building improvements	829,491
Appliances	6,119
Vehicles	142,943
	15,266,505
Accumulated depreciation and amortization	(5,134,749)
Property and equipment, net	$ 10,131,756

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

NOTE 7 - LINES-OF-CREDIT

STF has a revolving line-of-credit with a limit of $300,000 and a maturity date of February 16, 2020. Advances on the line-of-credit are payable monthly at the prime rate plus 0.5% with a floor rate of 5% (6% at June 30, 2019). There was no balance due on this line-of-credit at June 30, 2019.

NOTE 7 - LINES-OF-CREDIT - Continued

ARM has two revolving lines-of-credit: one with a $500,000 limit for the restricted use of funding property acquisitions; and one with a $100,000 credit limit for unrestricted use in general operations. Both lines have a maturity date of February 16, 2020. Advances on the lines-of-credit are payable monthly at the prime rate plus 0.5% with a floor rate of 5% (6% at June 30, 2019). There was no balance due on either operating line-of-credit at June 30, 2019.

In conjunction with the line-of-credit agreements, STF and ARM have agreed to comply with certain restrictive covenants which include, among others, requirements related to debt service coverage ratio and current ratio. STF and ARM were in compliance with those covenants as of June 30, 2019. Both lines-of-credit are secured by real property and equipment.

NOTE 8 - NOTES PAYABLE

Notes payable consisted of the following as of June 30, 2019:

$110,235 unsecured note payable to an individual due in 60 principal-only monthly payments of $1,000 and 36 principal-only monthly payments of $1,257 with a final payment due December 2019. The note was forgiven in September 2019.	$ 12,525
$550,000 note payable to a financial institution including interest at 0%, with entire balance due upon maturity in February 2029. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 4 and 12.	550,000
$543,411 note payable to the City of Mesa including interest at 0%, with entire balance due upon maturity in May 2034. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 4 and 12.	543,411
$675,000 note payable to a financial institution including interest at 0%, with entire balance due upon maturity in August 2033. The note is secured by real property and the proceeds were passed through to an affiliate. See Notes 4 and 12.	675,000
	1,780,936
Less current maturities	(12,525)
	$ 1,768,411

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

2020	$ 12,525
Thereafter	1,768,411
Total future maturities	$ 1,780,936

No payments are due during the years ending June 30, 2021 through 2028.

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions for the year ended June 30, 2019 consisted of the following:

	Beginning Balance	Contributions	Releases	Ending Balance
Purpose restrictions:				
Homeless Families Intervention Project	$ 69,912		$ (69,912)	
FACES	44,667		(29,667)	$ 15,000
Transformational matching gift		$ 500,000	(50,173)	449,827
SOAR Funding		50,000		50,000
Tempe Youth		5,000	(1,800)	3,200
Timing restrictions	466,750	198,850	(355,523)	310,077
	$ 581,329	$ 753,850	$ (507,075)	$ 828,104

The transformational matching gift includes a donor-restricted contribution that was received during the year ended June 30, 2019. The donor required certain matching funds to be collected in order for the contribution to be released from restrictions and used in general operations. The Organization had met the matching requirements as of September 30, 2019.

NOTE 10 - IN-KIND CONTRIBUTIONS/EXPENSES

Donated goods and facilities are valued at their estimated fair value on the date of donation. Donated services are recognized in the consolidated financial statements at their estimated fair value if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased by donation.

In-kind contributions totaling $619,143 are reported in the consolidated statement of activities. In-kind expenses are reported in the consolidated statement of functional expenses as follows for the year ended June 30, 2019:

	Program Services	Fundraising	Fundraising	Total
Professional and outside services	$ 9,015		$ 3,888	$ 12,903
Direct assistance to individuals	425,443			425,443
Space and occupancy	103,327	$ 20,428	37,813	161,568
Other			19,229	19,229
Total in-kind expenses	$ 537,785	$ 20,428	$ 60,930	$ 619,143

NOTE 11 - COMMITMENTS AND CONTINGENCIES

During 2011, the Organization received donated residential property from a governmental entity. Under the terms of the governmental contract, if the Organization fails to allow only low-income households to reside in the property, the title of the property will revert back to the governmental entity. This contingency is in effect through February 2031. The Organization intends to operate the property in accordance with the terms of the agreement; therefore, no liability relating to a potential future reversion of title has been recorded in the consolidated financial statements.

NOTE 11 - COMMITMENTS AND CONTINGENCIES - Continued

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

Other properties acquired by the Organization with grant funds are encumbered with ongoing restrictions that preclude the use of the acquired properties for purposes other than transitional or permanent housing. Should such properties be sold or used for disallowed purposes, all or part of the grant funds may have to be returned.

NOTE 12 - RELATED PARTY TRANSACTIONS

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

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

STF leases a building from Escobedo at Verde Vista, LLC, under a twenty-year lease expiring in 2033. The terms of the lease require STF to pay $100 as the base rent for the entire term of the lease. In addition, STF must meet specific conditions annually in order to satisfy the terms of the lease agreement. The Organization recognized $161,568 as in-kind contributions/expense during the year ended June 30, 2019, which approximates the estimated fair value of the donated facility.

SUPPLEMENTARY INFORMATION

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

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Save the Family Foundation of Arizona	A.R.M. of Save the Family Foundation of Arizona	Eliminations	Total
ASSETS				
Current assets:				
Cash	$ 1,505,949	$ 724,563		$ 2,230,512
Grants receivable	275,820	47,562	$ (53,418)	269,964
Promises to give receivable, current portion	162,237			162,237
Prepaid expenses	6,022			6,022
Total current assets	1,950,028	772,125	(53,418)	2,668,735
Promises to give receivable, less current portion	96,735			96,735
Long-term notes receivable from affiliate		2,709,288		2,709,288
Property and equipment, net	1,270,888	8,860,868		10,131,756
Investment in affiliate		162,760		162,760
Deposits	1,900			1,900
Total assets	$ 3,319,551	$ 12,505,041	$ (53,418)	$ 15,771,174
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable	$ 121,126	$ 90,972	$ (53,418)	$ 158,680
Accrued expenses	125,078	8,294		133,372
Refundable advances and deferred income		84,546		84,546
Notes payable, current portion	12,525			12,525
Total current liabilities	258,729	183,812	(53,418)	389,123
Notes payable, less current portion		1,768,411		1,768,411
Total liabilities	258,729	1,952,223	(53,418)	2,157,534
Net assets:				
Without donor restrictions:				
Board designated	450,000	450,000		900,000
Undesignated	1,782,718	10,102,818		11,885,536
Total net assets without donor restrictions	2,232,718	10,552,818		12,785,536
Net assets with donor restrictions	828,104			828,104
Total net assets	3,060,822	10,552,818		13,613,640
Total liabilities and net assets	$ 3,319,551	$ 12,505,041	$ (53,418)	$ 15,771,174

The accompanying notes are an integral part of these statements.

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

CONSOLIDATING STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Save the Family Foundation of Arizona		A.R.M. of Save the Family Foundation of Arizona			
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions	Eliminations	Total
Revenue, support, and gain:						
Government grants	$ 1,853,135		$ 1,072,915			$ 2,926,050
United Way contributions	237,000					237,000
Contributions	1,341,291	$ 753,850	1,480			2,096,621
Contribution from related party	47,652				$ (47,652)	
In-kind contributions	597,622		21,521			619,143
Client and management fees	697,393		262,189		(561,582)	398,000
Rental income	752		1,016,483			1,017,235
Miscellaneous	13,140		31,388			44,528
Gain on disposals of assets			98,185			98,185
Fundraising events:						
Gross fundraising events revenue	205,774					205,774
Less: direct donor benefit costs	(129,820)					(129,820)
Net fundraising events revenue	75,954					75,954
Net assets released from restrictions:						
Satisfaction of donor requirements	507,075	(507,075)				
Total revenue, support, and gain	5,371,014	246,775	2,504,161		(609,234)	7,512,716
Expenses:						
Salaries	1,982,883		106,069			2,088,952
Employee related	375,489		17,504			392,993
Depreciation	65,995		433,123			499,118
Direct assistance to individuals	1,701,688		777,192		(89,328)	2,389,552
Direct unit costs	158,376		677,806			836,182
Equipment	58,078					58,078
Materials and supplies	59,647		2,170			61,817
Operating	199,581		64,496			264,077
Other expenses	9,243		47,652		(47,652)	9,243
Professional and outside services	343,889		465,097		(472,254)	336,732
Space and occupancy	301,889					301,889
Interest expense	5,517		6,019			11,536
Travel	98,159		12,106			110,265
Total expenses	5,360,434		2,609,234		(609,234)	7,360,434
Change in net assets	10,580	246,775	(105,073)			152,282
Net assets, beginning of year	2,222,138	581,329	10,657,891			13,461,358
Net assets, end of year	$ 2,232,718	$ 828,104	$ 10,552,818	$	$	$ 13,613,640

The accompanying notes are an integral part of these statements.