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, 2022 and 2021

CONTENTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southern Arizona AIDS Foundation
Tucson, Arizona

Opinion

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, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

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 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023 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
February 28, 2023

Consolidated Statements of Financial Position as of June 30, 2022 and 2021

Assets	2022	2021
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,224,267	$ 1,566,524
Grants and contracts receivable	2,214,920	2,513,576
Pledges receivable, net of allowance for uncollectible accounts of $0 and $12,500, respectively	109,370	43,550
Other receivables, net of allowance for uncollectible accounts of $774 and $0, respectively	54,167	10,559
Investments, at fair value	429,468	574,322
Prepaid expenses	186,423	290,205
Inventory	6,472	6,410
Total current assets	5,225,087	5,005,146
LONG-TERM ASSETS:		
Property and equipment, net of accumulated depreciation of $3,610,309 and $3,677,558, respectively	3,875,093	3,910,310
Beneficial interests in assets held by community foundation	385,106	120,216
Total long-term assets	4,260,199	4,030,526
TOTAL ASSETS	$ 9,485,286	$ 9,035,672
Liabilities and Net Assets		
CURRENT LIABILITIES:		
Accounts payable	$ 413,926	$ 289,610
Accrued payroll and vacation	304,547	204,385
Bank overdraft	18,820	-
Tenant prepaids	1,686	-
Due to related parties	1,056	668
Other accrued liabilities	9,953	1,161
Current portion of notes payable	14,805	14,805
Security deposit liabilities	4,373	3,901
Total current liabilities	769,166	514,530
LONG-TERM LIABILITIES:		
Notes payable, less current portion	222,075	236,880
Total long-term liabilities	222,075	236,880
TOTAL LIABILITIES	991,241	751,410
NET ASSETS:		
Net assets without donor restrictions	7,574,447	7,625,777
Net assets with donor restrictions	919,598	658,485
TOTAL NET ASSETS	8,494,045	8,284,262
TOTAL LIABILITIES AND NET ASSETS	$ 9,485,286	$ 9,035,672

Consolidated Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
Changes in Net Assets, 2022			
REVENUES:			
Government contracts and grants	$ 10,688,371	$ -	$ 10,688,371
Contributions and other grants	258,479	796,054	1,054,533
Rent income	324,531	-	324,531
Special events, net of $1,780 direct donor benefit costs	129,971	-	129,971
Buyers club	37,758	-	37,758
In-kind contributions	33,213	-	33,213
Other	12,760	-	12,760
Investment loss	(106,564)	(28,169)	(134,733)
Net assets released from restrictions	506,765	(506,765)	-
Total revenues	11,885,284	261,120	12,146,404
EXPENSES:			
Program services	9,957,007	-	9,957,007
Management and general	1,486,921	-	1,486,921
Fundraising	432,084	-	432,084
Total expenses	11,876,012	-	11,876,012
OTHER INCOME (EXPENSES):			
Loss on disposal of property and equipment	(60,609)	-	(60,609)
Total other income (expenses)	(60,609)	-	(60,609)
CHANGE IN NET ASSETS	(51,337)	261,120	209,783
Net assets, beginning of year	7,625,784	658,478	8,284,262
NET ASSETS, END OF YEAR	$ 7,574,447	$ 919,598	$ 8,494,045

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
Other	61,886	-	61,886
Special events, net of $1,870 direct donor benefit costs	56,605	-	56,605
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 disposal of property and equipment	(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 Functional Expenses for the Year Ended June 30, 2022

	Program services							
	Client services	Stephenson Place	Prevention/ education	LGBTQ+	Total program services	Management and general	Fundraising	Total
Functional Expenses, 2022								
Salaries	$ 2,074,664	$ -	$ 574,017	$ 577,875	$ 3,226,556	$ 746,586	$ 270,090	$ 4,243,232
Payroll taxes and benefits	520,539	-	135,958	154,494	810,991	118,230	53,342	982,563
Total payroll-related expenses	2,595,203	-	709,975	732,369	4,037,547	864,816	323,432	5,225,795
Direct assistance to individuals	3,767,938	-	662,680	203,456	4,634,074	-	-	4,634,074
Occupancy	372,753	91,254	16,850	24,341	505,198	55,413	5,365	565,976
Depreciation	118,774	55,326	16,314	59,231	249,645	33,593	2,928	286,166
Professional fees	20,096	14,450	17,802	22,170	74,518	162,482	13,795	250,795
Other	1,995	6,337	61	12,500	20,893	192,263	2,993	216,149
Computer equipment and software	65,045	-	38,931	13,841	117,817	34,996	16,827	169,640
Travel and staff development	34,068	-	33,354	17,807	85,229	16,117	5,280	106,626
Contracted services	-	16,756	88,968	-	105,724	-	-	105,724
Insurance	-	10,687	2,672	-	13,359	77,042	3,264	93,665
Telephone	25,621		4,447	6,933	37,001	7,796	2,686	47,483
Dues, subscriptions and fees	2,807	-	2,932	2,538	8,277	20,219	5,370	33,866
In-kind contributions	-	-	-	-	-	-	33,213	33,213
Cost of merchandise sold	32,085	-	-	-	32,085	-	-	32,085
Printing and newsletters	-	-	748	1,552	2,300	11,040	6,640	19,980
Postage	12,262	-	2,432	1,755	16,449	1,326	1,387	19,162
Events	-	-	7,464	1,066	8,530	1,253	8,399	18,182
Office supplies	4,672	-	994	1,166	6,832	8,565	505	15,902
Direct donor benefit costs	-	-	-	-	-	-	1,780	1,780
Bad debt	-	1,233	-	-	1,233	-	-	1,233
Interest	296	-	-	-	296	-	.	296
Total functional expenses	7,053,615	196,043	1,606,624	1,100,725	9,957,007	1,486,921	433,864	11,877,792
Less direct donor benefit costs netted against revenue	-	-	-	-	-	-	(1,780)	(1,780)
TOTAL EXPENSES	$ 7,053,615	$ 196,043	$ 1,606,624	$ 1,100,725	$ 9,957,007	$ 1,486,921	$ 432,084	$ 11,876,012

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 STATEMENTS OF CASH FLOWS

Cash Flows from Operating Activities		2022		2021
CHANGE IN NET ASSETS	$	209,783	$	1,199,309
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES:				
Realized and unrealized (gain) loss on marketable securities		116,996		(125,077)
Increase in value of partnership		(6,861)		(100)
Depreciation		286,166		286,980
Loss on disposal of property and equipment		60,609		17,328
Charitable contribution of land		-		210,625
Paycheck Protection Program note payable forgiveness		-		(883,887)
Contributions restricted for long-term purposes		-		(110,000)
CHANGES IN OPERATING ASSETS AND LIABILITIES:				
Grants and contracts receivable		298,656		(864,254)
Pledges receivable, net of allowance for uncollectible accounts		(66,620)		7,394
Other receivables, net of allowance for uncollectible accounts		(43,608)		27,310
Prepaid expenses		103,782		(67,694)
Inventory		(62)		2,619
Accounts payable		124,316		(4,053)
Subrecipient grants payable		-		(7,884)
Accrued payroll and vacation		100,162		11,144
Tenant prepaids		1,686		-
Due to related parties		388		(1,006)
Other accrued liabilities		8,792		581
Security deposit liabilities		472		(4,496)
Net cash flows provided by (used in) operating activities		1,194,657		(305,161)
Cash Flows from Investing Activities				
Distributions from partnership		11,161		-
Purchases of marketable securities		(37,941)		(421,870)
Sales of marketable securities		46,499		358,411
Maturity of fixed income securities		15,000		-
Purchases of property and equipment		(311,558)		(144,118)
Purchase of beneficial interest in assets held by community foundation		(300,000)		(110,000)
Change in beneficial interest in assets held by community foundation		35,110		(10,216)
Net cash flows used in investing activities		(541,729)		(327,793)
Cash Flows from Financing Activities				
Payments on notes payable		(14,805)		(14,805)
Proceeds from bank overdraft		18,820		-
Collections of contributions restricted for long-term purposes		800		119,241
Distribution to HUD of residual receipts		-		(15,379)
Net cash flows provided by financing activities		4,815		89,057
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		657,743		(543,897)
Cash and cash equivalents at beginning of year		1,566,524		2,110,421
CASH AND CASH EQUIVALENTS AT END OF YEAR	$	2,224,267	$	1,566,524
Supplemental Disclosures				
Interest paid	$	296	$	296

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 $120,694 and $109,627 as of June 30, 2022 and 2021, 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:

Level 1 — 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.

Level 2 — 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.

Level 3 — 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 the *Invetments* note to these financial statements. 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, 2022 and 2021 were $5,499 and $10,861, 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, liabilities, revenues and expenses and disclosure of any contingent assets and liabilities at the date of the financial statements. 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 2018 and state tax examinations for years before 2017, 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.

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, 2022 and 2021.

At June 30, 2022, the following amounts were billed under various grants and contracts and paid by the various grantor entities in fiscal year 2023:

Contract billings to federal programs	$ 2,036,425
Contract billings to county programs	178,495
Total grants and contracts receivable	$ 2,214,920

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

NOTE C. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2022 and 2021 consisted of unconditional promises to give in the amounts of $109,370 and $43,550, respectively. Management has recorded an allowance for uncollectible pledges for the years ended June 30, 2022 and 2021 of $0 and $12,500, respectively, based on their estimate of the likelihood of collection on one specific outstanding pledge. Pledges receivable are expected to be collected within one year.

NOTE D. INVESTMENTS, AT FAIR VALUE

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

	2022 financial statement value	2022 cost	2021 financial statement value	2021 cost
Marketable securities				
Corporate bonds	$ 29,403	$ 30,828	$ 46,503	$ 46,572
Common stock	390,871	373,901	514,325	389,221
Total marketable securities	420,274	404,729	560,828	435,793
Other investments				
Partnership interests	9,194	9,194	13,494	13,494
Total other investments	9,194	9,194	13,494	13,494
Total investments	$ 429,468	$ 413,923	$ 574,322	$ 449,287

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, 2022 and 2021:

Investments at fair value as of June 30, 2022:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 29,403	$ -	$ -	$ 29,403
Common stock	390,871	-	-	390,871
Partnership interests	-	-	9,194	9,194
Total investments at fair value	$ 420,274	$ -	$ 9,194	$ 429,468

Investments at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Corporate bonds	$ 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

Fair values of assets measured on a recurring basis for the year ended June 30, 2022 using significant unobservable inputs (Level 3) consisted of the following:

	Beginning balance	Contributions	Distributions	Change in value	Ending value
Partnership interests	$ 13,494	$ -	$ 11,161	$ 6,861	$ 9,194

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

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

	2022	2021
Interest and dividends	$ 6,540	$ 7,534
Realized and unrealized (losses) gains	(116,280)	125,077
Change in beneficial interest in assets held by community foundation	(28,087)	10,765
Amortization on corporate bond premium	(744)	-
Investment fees	(3,023)	(569)
Increase in value of partnership interest	6,861	100
Total investment (loss) income	$ (134,733)	$ 142,907

Note E. Property and Equipment

Property and equipment consisted of the following at June 30, 2022:

	SAAF	Stephenson Place	Total
Land	$ 302,449	$ 120,000	$ 422,449
Buildings & improvements	5,034,245	1,672,042	6,706,287
Furniture & fixtures	133,248	-	133,248
Equipment	45,795	5,462	51,257
Vehicles	5,690	-	5,690
Computer software	166,471	-	166,471
Total property and equipment	5,687,898	1,797,504	7,485,402
Less accumulated depreciation	(2,598,498)	(1,011,811)	(3,610,309)
Total property and equipment, net	$ 3,089,400	$ 785,693	$ 3,875,093

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

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, 2022:

Balance at beginning of year	$	110,214
Investment income (loss)		(33,876)
Purchases		300,000
Balance at end of year	$	376,338

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, 2022:

Balance at beginning of year	$	10,002
Investment income (loss)		(1,234)
Purchases		-
Balance at end of year	$	8,768

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, 2022, the Company made matching contributions of $42,767.

Note H. Notes Payable

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

	2022	2021
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	$ 251,685
Total notes payable	236,880	251,685
Less current portion of notes payable	(14,805)	(14,805)
Long-term portion of notes payable	$ 222,075	$ 236,880

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

Collateral	2022	2021
Glenn Street property	$ 428,918	$ 392,874

The scheduled maturities of notes payable at June 30, 2022 are as follows:

	Principal payments
2023	$ 14,805
2024	14,805
2025	14,805
2026	14,805
2027	14,805
Thereafter	162,855
Total	$ 236,880

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, 2022 and 2021, respectively. Interest accrues at a variable rate of the Prime Rate plus 2.8% (Prime Rate at June 30, 2022 was 4.75%). 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 $590,857 and $511,295 as of June 30, 2022 and 2021, respectively.

NOTE J. DONOR RESTRICTED NET ASSETS

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

	2022	2021
Prevention and outreach	$ 181,664	$ 190,047
Community resources	18,234	131,114
Food programs	50,279	86,953
Client services	75,301	65,748
Complimentary therapies	66,169	45,404
Future operations and events	396,719	135,004
Building and facilities	4,713	4,209
Clinical facilities and operations	126,519	-
Total donor restricted net assets	$ 919,598	$ 658,479

NOTE K. IN-KIND CONTRIBUTIONS

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

	2022	2021
Direct assistance to individuals	$ 30,029	$ 10,643
Advertising	-	-
Special events, non-direct donor benefit	3,184	3,775
Total in-kind contributions	$ 33,213	$ 14,418

NOTE L. 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, 2022 and 2021 was $32,977 and $25,765, respectively.

SAAF leases office space under a non-cancelable operating lease with monthly payments of $5,103. The lease expires in October 2025. SAAF leases six other spaces on a month-to-month basis with payments of approximately $3,071 per month. Space rent expense for the years ended June 30, 2022 and 2021 was $109,284 and $108,542, 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:

2023	$	70,801
2024		63,629
2025		65,051
2026		21,783
Total future minimum lease payments	$	221,264

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

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 N. Liquidity and Availability of Financial Assets

Financial assets on a combined basis as of June 30, 2022	$ 5,032,192
Less those unavailable for general expenditures within one year, due to:	
Lease commitments	70,801
Current portion of long-term debt	14,805
Deposits held in trust	3,808
Reserves mandated by HUD	116,886
Subject to appropriation and satisfaction of donor restrictions	919,598
Total financial assets unavailable for general expenditures within one year	1,125,898
Financial assets available to meet cash needs for general expenditures within one year	$ 3,906,294

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 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, 2022 and 2021, two grantors comprised of 94% and 96%, respectively of government contracts and grant revenues. Two grantors comprised 78% of grant and contracts receivables at June 30, 2022 and two grantors comprised 88% of grants and contracts receivables at June 30, 2021. 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. 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 February 28, 2023 which represents the date the financial statements were available to be issued.