Financial Statements
June 30, 2020 and 2019

Boys Hope Girls Hope of Arizona, Inc.

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Independent Auditor's Report

The Board of Directors
Boys Hope Girls Hope of Arizona, Inc.
Phoenix, Arizona

Report on the Financial Statements
We have audited the accompanying financial statements of Boys Hope Girls Hope of Arizona, Inc. ("the Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Eide Bailly LLP

Phoenix, Arizona
October 30, 2020

	2020	2019
Assets		
Current Assets		
Cash	$ 330,318	$ 250,228
Restricted cash	80,500	80,500
Accounts receivable	1,125	-
Promises to give	5,000	130,500
Prepaid expenses	10,069	6,255
Investments	1,010,281	1,100,110
Total current assets	1,437,293	1,567,593
Property and Equipment, Net	670,252	707,859
Total assets	$ 2,107,545	$ 2,275,452
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 19,217	$ 30,381
Accrued expenses	52,181	45,198
Current maturities of capital lease obligation	1	1
Refundable advance - Paycheck Protection Program	145,570	-
Total current liabilities	216,969	75,580
Long-term Liabilities		
Capital Lease Obligation, Less Current Portion	4	5
Total liabilities	216,973	75,585
Net Assets		
Without donor restrictions		
Undesignated	598,984	771,788
Board designated fund	1,211,088	1,211,088
	1,810,072	1,982,876
With donor restrictions	80,500	216,991
Total net assets	1,890,572	2,199,867
Total liabilities and net assets	$ 2,107,545	$ 2,275,452

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Support from contributions			
Contributions	$ 498,068	$ -	$ 498,068
In-kind contributions	833,316	-	833,316
Total support from contributions	1,331,384	-	1,331,384
Special events revenue	438,782	-	438,782
Less cost of direct benefits to donors	(40,024)	-	(40,024)
Net revenues from special events	398,758	-	398,758
Total public support before releases from restrictions	1,730,142	-	1,730,142
Net assets released from restriction	136,491	(136,491)	-
Total public support	1,866,633	(136,491)	1,730,142
Other revenues			
Miscellaneous income	18,864	-	18,864
Net investment return	17,150	-	17,150
Total other revenues	36,014	-	36,014
Total public support and revenue	1,902,647	(136,491)	1,766,156
Expenses			
Program services	1,798,379	-	1,798,379
Supporting services			
Fundraising	129,889	-	129,889
General and administrative	147,183	-	147,183
Total supporting services	277,072	-	277,072
Total expenses	2,075,451	-	2,075,451
Change in Net Assets	(172,804)	(136,491)	(309,295)
Net Assets, Beginning of Year	1,982,876	216,991	2,199,867
Net Assets, End of Year	$ 1,810,072	$ 80,500	$ 1,890,572

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue			
Support from contributions			
Contributions	$ 1,080,000	$ 244,200	$ 1,324,200
In-kind contributions	790,026	-	790,026
Total support from contributions	1,870,026	244,200	2,114,226
Special events revenue	471,602	-	471,602
Less cost of direct benefits to donors	(84,714)	-	(84,714)
Net revenues from special events	386,888	-	386,888
Total public support before releases from restrictions	2,256,914	244,200	2,501,114
Net assets released from restriction	132,309	(132,309)	-
Total public support	2,389,223	111,891	2,501,114
Other revenues			
Miscellaneous income	2,318	-	2,318
Net investment return	17,288	-	17,288
Total other revenues	19,606	-	19,606
Total public support and revenue	2,408,829	111,891	2,520,720
Expenses			
Program services	1,706,677	-	1,706,677
Supporting services			
Fundraising	133,452	-	133,452
General and administrative	138,487	-	138,487
Total supporting services	271,939	-	271,939
Total expenses	1,978,616	-	1,978,616
Change in Net Assets	430,213	111,891	542,104
Net Assets, Beginning of Year	1,552,663	105,100	1,657,763
Net Assets, End of Year	$ 1,982,876	$ 216,991	$ 2,199,867

	2020			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	$ 491,057	$ 85,117	$ 78,569	$ 654,743
Payroll Taxes and Employee Benefits	98,671	17,103	15,787	131,561
Total payroll costs	589,728	102,220	94,356	786,304
Assistance to Youth	931,845	-	-	931,845
Depreciation	65,494	3,639	3,639	72,772
Payments to National Affiliate	20,054	-	8,595	28,649
Occupancy	94,226	5,235	5,235	104,696
Newsletter and Promotional	1,497	187	187	1,871
Transportation	21,674	-	-	21,674
Equipment Rental	1,753	376	376	2,505
Professional Fees	30,212	15,106	15,106	60,424
Insurance	20,722	-	6,907	27,629
Building Furnishings	1,095	-	-	1,095
Supplies, Stationary, and Postage	14,381	3,081	3,081	20,543
Domestic Supplies	1,352	-	-	1,352
Bank Fees	-	-	5,357	5,357
Special Events Expenses - Direct Donor Benefits	-	40,024	-	40,024
Bad Debt Expense	-	-	-	-
Third-Party Events	-	45	-	45
Miscellaneous	4,346	-	4,344	8,690
Total Functional Expenses	1,798,379	169,913	147,183	2,115,475
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(40,024)	-	(40,024)
Total Functional Expense Reported in the Statement of Activities	$ 1,798,379	$ 129,889	$ 147,183	$ 2,075,451

	2019			
	Program Services	Fundraising	General and Administrative	Total
Staff Salaries	$ 446,008	$ 77,308	$ 71,361	$ 594,677
Payroll Taxes and Employee Benefits	97,316	16,868	15,570	129,754
Total payroll costs	543,324	94,176	86,931	724,431
Assistance to Youth	897,727	-	-	897,727
Depreciation	63,761	3,542	3,542	70,845
Payments to National Affiliate	18,711	-	8,019	26,730
Occupancy	86,687	4,816	4,816	96,319
Newsletter and Promotional	1,627	203	203	2,033
Transportation	16,735	-	-	16,735
Equipment Rental	1,958	420	420	2,798
Professional Fees	30,084	-	7,521	37,605
Insurance	20,684	-	6,895	27,579
Building Furnishings	1,590	-	-	1,590
Supplies, Stationary, and Postage	12,699	2,721	2,721	18,141
Domestic Supplies	1,631	-	-	1,631
Bank Fees	-	-	4,960	4,960
Special Events Expenses - Direct Donor Benefits	-	84,714	-	84,714
Bad Debt Expense	-	-	3,000	3,000
Third-Party Events	-	27,574	-	27,574
Miscellaneous	9,459	-	9,459	18,918
Total Functional Expenses	1,706,677	218,166	138,487	2,063,330
Less Expenses Netted Against Revenues in the Statement of Activities (Direct Donor Benefits)	-	(84,714)	-	(84,714)
Total Functional Expense Reported in the Statement of Activities	$ 1,706,677	$ 133,452	$ 138,487	$ 1,978,616

	2020	2019
Operating Activities		
Change in net assets	$ (309,295)	$ 542,104
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation	72,772	70,845
Unrealized (gain) loss on investments	475	(73)
Gain on sale of property and equipment	(18,305)	-
Changes in assets and liabilities		
Accounts receivable	(1,125)	400
Promises to give	125,500	(115,500)
Prepaid expenses	(3,814)	(2,578)
Accounts payable	(11,164)	1,075
Accrued expenses	6,983	(6,032)
Refundable advance - Paycheck Protection Program	145,570	-
Net Cash from Operating Activities	7,597	490,241
Investing Activities		
Proceeds on sale of investments	355,000	309,000
Purchase of investments	(265,646)	(704,744)
Proceeds on sale of property and equipment	18,305	-
Purchase of property and equipment	(35,165)	(31,056)
Net Cash from (used for) Investing Activities	72,494	(426,800)
Financing Activities		
Payments on capital lease obligation	(1)	(1)
Net Cash used for Financing Activities	(1)	(1)
Net Change in Cash and Restricted Cash	80,090	63,440
Cash and Restricted Cash, Beginning of Year	330,728	267,288
Cash and Restricted Cash, End of Year	$ 410,818	$ 330,728
Supplemental Disclosure of Cash Flow Information		
Cash	$ 330,318	$ 250,228
Restricted cash	80,500	80,500
Total Cash, End of Year	$ 410,818	$ 330,728

Note 1 - Nature of Operations and Significant Accounting Policies

Organization and Nature of Operations

In April 1989, Boys Hope of Arizona, Inc. was formed to help Arizona boys who are at-risk, yet academically capable to realize their potential for responsible leadership by providing value-centered family-like homes and quality education through college. In October 1997, the Boys Hope of Arizona, Inc.'s Articles of Incorporation were amended to include similar programs for Arizona girls and changed the name to Boys Hope Girls Hope of Arizona, Inc. ("the Organization"). The Organization is an affiliate to Boys Hope Girls Hope, Inc. (National).

The Organization has two programs, residential and a nonresidential Academy Program. The residential program recreates the supportive family dynamic that all children need. Committed professional house-parents provide the parenting that gives them the security and stability they need to excel, and a network of carefully screened and trained volunteers provides the academic support they will need to excel in the classroom. The Academy Program offers the same arms-around, all-encompassing care as the residential program for children who do not require an out-of-home placement.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, and reflect all significant principles, and accordingly, reflect all significant receivables, payables, and other liabilities.

Restricted Cash

For the years ended June 30, 2020 and 2019, restricted cash of $80,500 represents cash restricted for the endowment balance.

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 at the net present value of their estimated future cash flows. Amortization of the related discounts is included in promises to give. Conditional promises to give are not recognized as support until the conditions are substantially met.

Unconditional promises to give are stated at unpaid balances, net of discounts, less an allowance for doubtful accounts, as deemed necessary. 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. As of June 30, 2020 and 2019, management determined that no allowance for promises to give was necessary.

Property and Equipment

Property and equipment additions over $2,500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2020 and 2019.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Net Assets

Net assets, revenues, and gains and losses are classified on the existence or absence of donor-imposed restrictions on contributions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, a portion to be Board-designated net assets.

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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Concentrations of Credit Risk

Cash includes cash held in checking, savings, and money market accounts. The Organization, at times, maintains cash at financial institutions in excess of the bank insured limit by the Federal Deposit Insurance Corporation. The Organization also maintains cash at a brokerage firm that is SIPC insured.

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

In-Kind Contributions

In-kind contributions are recorded at their fair market value on the date of the donation and are carried at the lower of the originally recorded value, or fair market value.

Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy, which are allocated on a square footage basis, as well as staff salaries, payroll taxes and employee benefits, payments to national affiliate, newsletter and promotional, equipment rental, professional fees, insurance, supplies, stationery, and postage, and miscellaneous, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as an Arizona non-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). The Organization is included as part of a group Return of Organization Exempt from Income Tax (Form 990) filed by Boys Hope Girls Hope national headquarters. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization has determined it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 may differ from these estimates.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021. Early adoption of the amendment is permitted. The Organization is currently evaluating the impact of this amendment on its financial statements.

Change in Accounting Policy

The Organization has adopted the provisions of ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (ASU 2018-08) applicable to contributions received. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 applicable to contributions received on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization’s financial statements.

Subsequent Events

The Organization has evaluated subsequent events through October 30, 2020, the date which the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash	$ 330,318	$ 250,228
Accounts receivable	1,125	-
Promises to give	5,000	130,500
Less contributions restricted for specific programs	-	(136,491)
	$ 336,443	$ 244,237

The Organization manages its exposure to liquidity risk by regularly monitoring the liquidity required to meet its operating needs and other contractual commitments. The Organization prepares an annual budget to manage liquidity and to determine general expenditures over the next 12 months and anticipates collecting revenue sufficient to cover general expenditures during that period. General expenditures include administrative, general expenses, and fundraising expenses to be paid in the subsequent year. Annual operations are defined as activities occurring during the Organization's fiscal year. The investment balance is invested in liquid investments and is part of the board designated net assets balance and can be made available for general expenditure upon board approval.

Note 3 - Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to an assessment of the quality, risk or liquidity profile of the asset or liability.

Money market short-term funds are actively traded and valued using quoted prices in active markets and are classified within Level 1.

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2020:

		Fair Value Measurements at Report date Using		
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money Market Short-Term	$ 1,010,281	$ 1,010,281	$ -	$ -
Total investments	$ 1,010,281	$ 1,010,281	$ -	$ -

The following table presents assets and liabilities measured at fair value on a recurring basis at June 30, 2019:

		Fair Value Measurements at Report date Using		
	Total	Quoted Prices in Active Markets (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Money Market Short-Term	$ 1,100,110	$ 1,100,100	$ -	$ -
Total investments	$ 1,100,110	$ 1,100,100	$ -	$ -

Net investment return consisted of the following at June 30, 2020 and 2019:

	2020	2019
Interest and dividends	$ 16,675	$ 17,361
Net realized and unrealized gain (loss)	475	(73)
	$ 17,150	$ 17,288

Note 4 - Property and Equipment

Property and equipment consisted of the following at June 30, 2020 and 2019:

	2020	2019
Land	$ 130,111	$ 130,111
Land held under capital lease	27,700	27,700
Girls home building	597,505	597,505
Boys home building	499,724	499,724
Furniture and fixtures	121,369	121,369
Vehicles	138,864	133,981
Computer equipment	62,616	62,617
Building improvements	7,100	7,100
	1,584,989	1,580,107
Accumulated depreciation	(914,737)	(872,248)
Property and equipment, net	$ 670,252	$ 707,859

Note 5 - Capital Lease Obligation

On April 1, 1991, the Organization loaned funds for the construction of the Boys home building to National, a related party, in the amount of $218,439. The Organization received a note receivable from National for the same amount due in installments of $24,312 annually for 24 years. At the same time, the Boys home building was leased back from National under a capital lease agreement for 60 years. The capital lease had a present value of $218,439 and calls for an annual payment of $24,312 for the years one though 24 and $1 for the years 25 through 60. The agreement states that the Organization has the right to off-set its annual rent payment with the payment due to the Organization under the note, and the Organization has therefore not reflected the note receivable or the capital lease obligation in the accompanying financial statements. The agreement also stated that upon the termination date of the capital lease, title to the Boys home building shall automatically pass to the Organization.

On April 1, 1991, the Organization entered into a capital lease agreement under which it leases land from National, a related party, for 60 years. The lease calls for annual payments of $3,083 for years one through 24 and $1 for years 25 through 60. The interest portion of the lease payments was computed using a rate of 10% per year. The agreement also states that upon the termination date of the capital lease, title to the land shall automatically pass to the Organization.

Minimum future lease payments under this capital lease at June 30, 2020 are as follows:

Year Ending June 30,		
2021	$	1
2022		1
2023		1
2024		1
2025		1
Thereafter		25
Total minimum lease payments		30
Less amounts representing interest		(25)
Present value of minimum lease payments		5
Current maturities		1
Noncurrent maturities	$	4

Note 6 - Paycheck Protection Program Loan

The Organization was granted a $145,570 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1 percent, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Note 7 - Board-Designated Net Assets

The board of directors of the Organization have designated a portion of the net assets without donor restrictions as reserves to be used at the discretion of the board of directors. As of June 30, 2020 and 2019, the balance of the board-designated net assets was $1,211,088. As of June 30, 2020, $200,807 was included with cash and $1,010,281 was classified as investments on the statements of financial position. As of June 30, 2019, $110,978 was included with cash and $1,100,110 was classified as investments on the statements of financial position.

Note 8 - Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods at June 30, 2020:

	2020	2019
Subject to Expenditure for Specified Purpose		
Cultural Fluency program	$ -	$ 136,491
Endowment		
Original donor-restricted gift amount required to be maintained in perpetuity by donor	80,500	80,500
	$ 80,500	$ 216,991

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows during the fiscal years ended June 30, 2020 and 2019:

	2020	2019
Expiration of time restrictions	$ -	$ 45,500
Reclassification of Donor intent	136,491	-
Satisfaction of purpose restrictions	-	86,809
	$ 136,491	$ 132,309

At times, the Organization receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Organization for approval, and if approved, may result in the reclassification of net assets between net assets with donor restrictions and net assets without donor restrictions. As of June 30, 2020, $136,491 of net assets were reclassified as without donor restriction due to changes in donor intent.

Note 9 - Endowment Net Assets

In previous years, the Organization received contributions in the amount of $161,000, of which $80,500 was released from restriction by the donor. Of these contributions, $80,500 remains restricted in perpetuity. The money is to be invested indefinitely, and the income from the investment is to be used for specific purposes approved by the Organization's board of directors. The endowment consists entirely of donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted the Arizona Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity: (a) the original value of gifts donated to the permanent endowment and (b) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

The composition of endowment net assets by fund type as of June 30, 2020 and 2019 is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Balance, June 30, 2018	$ -	$ 80,500	$ 80,500
Investment return			
Investment income	-	973	973
Endowment draw for expenditure	-	(973)	(973)
Balance, June 30, 2019	-	80,500	80,500
Investment return			
Investment income	-	971	971
Endowment draw for expenditure	-	(971)	(971)
Balance, June 30, 2020	$ -	$ 80,500	$ 80,500

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of these endowment assets over the long-term. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk parameters.

Spending Policy

The current spending policy is to spend the earnings on the endowment as approved by the board of directors for operating purposes. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Note 10 - In-kind Contributions

In-kind contributions are as follows during the year ended June 30, 2020:

	Program Services	Management and General	Fundraising and Development	Total
In-kind rent	$ 50,160	$ 2,787	$ 2,787	$ 55,733
In-kind tuition	742,164	-	-	742,164
Other donated gifts in-kind	33,005	2,414	-	35,419
	$ 825,329	$ 5,201	$ 2,787	$ 833,316

In-kind contributions are as follows during the year ended June 30, 2019:

	Program Services	Management and General	Fundraising and Development	Total
In-kind rent	$ 50,156	$ 2,786	$ 2,786	$ 55,729
In-kind tuition	706,547	-	-	706,547
Other donated gifts in-kind	27,750	-	-	27,750
	$ 784,453	$ 2,786	$ 2,786	$ 790,026

Note 11 - Related Party

The Organization is an affiliate to National and has entered into an affiliation agreement. Payments to National for services provided and other fees totaled $28,649 and $26,730 for the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, there were no amounts outstanding as a payable to National.

During the year ended June 30, 2020 and 2019, the Organization received contributions from National totaling $14,000 and $0, respectively.

During the years ended June 30, 2020 and 2019, the Organization received contributions from board members totaling $79,165 and $75,267, respectively.

Note 12 - Retirement Plan

The Organization participates in a participant-directed 401(k) plan sponsored by National covering employees who meet specific service requirements. Contributions to the plan are participant-directed. Beginning in the year ended June 30, 2011, the Organization suspended the existing match but continued to pay the associated account fees to allow participants to make contributions. This suspension is still in effect as of June 30, 2020. Account fees during the years ended June 30, 2020 and 2019 were $590 and $775, respectively.

Note 13 - COVID-19

In December 2019, a novel strain of coronavirus, known as COVID-19, was reported in Wuhan, China and has since extensively impacted the global health and economic environment. In March 2020, the World Health Organization characterized COVID-19 as a pandemic, and the President declared the COVID-19 outbreak in the United States as a national emergency. As of the date of issuance of these financial statements, the current and future full impact to the Organization is not known.