FAMILY PROMISE
OF GREATER PHOENIX

FINANCIAL STATEMENTS AND
AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2017

May 14, 2018

Lumbard & Associates, P.L.L.C.
(A Division of The Pun Group, LLP)
4143 North 12th Street, Suite 100
Phoenix, AZ 85014
(602) 274-9966
Fax (602) 265-0021
www.llumbard.com

FAMILY PROMISE OF GREATER PHOENIX
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

LUMBARD & ASSOCIATES PLLC
A Division of The Pun Group LLP

Lisa B. Lumbard, C.P.A., C.G.F.M
Kenneth H. Pun, C.P.A., C.G.M.A

Vanessa I. Burke, C.P.A., C.P.F.O.
Frances Kuo, C.P.A., C.G.M.A

Stephanie M. Canez

American Institute of Certified Public Accountants
Government Audit Quality Center

Government Finance Officers Association

Arizona Society of Certified Public Accountants

Association of Government Accountants

Arizona Hispanic Chamber of Commerce

Independent Auditors' Report

Board of Directors
Family Promise of Greater Phoenix

We have audited the accompanying financial statements of Family Promise of Greater Phoenix (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Board of Directors
Family Promise of Greater Phoenix

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Family Promise of Greater Phoenix as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Family Promise of Greater Phoenix's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 for the year ended December 31, 2017, with comparative totals for the year ended December 31, 2016, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lumbard & Associates, PLLC

Phoenix, Arizona
May 14, 2018

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

ASSETS	**2017**	**2016**
CURRENT ASSETS		
Cash and cash equivalents	$ 638,999	$ 308,391
Grants receivable	20,757	9,335
Contributions receivable	82,661	72,057
TOTAL CURRENT ASSETS	742,417	389,783
PROPERTY AND EQUIPMENT		
Land, property & equipment	934,223	924,687
Less: accumulated depreciation	(387,902)	(312,710)
NET PROPERTY AND EQUIPMENT	546,321	611,977
TOTAL ASSETS	$ 1,288,738	$ 1,001,760
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 22,985	$ 11,312
Accrued compensated absences	5,944	5,394
Other accrued liabilities	7,249	6,101
TOTAL CURRENT LIABILITIES	36,178	22,807
NET ASSETS		
Unrestricted	1,161,053	863,002
Temporarily restricted	91,507	115,951
TOTAL NET ASSETS	1,252,560	978,953
TOTAL LIABILITIES AND NET ASSETS	$ 1,288,738	$ 1,001,760

Read the accompanying Notes to the Financial Statements.

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017			(Summarized)
	Unrestricted	Temporarily Restricted	Total	Total 2016
REVENUES AND OTHER SUPPORT				
Contributions from individuals	$ 349,686	$ 44,884	$ 394,570	$ 308,787
Contributions from churches	37,389	-	37,389	42,443
Contributions from corporations	62,700	-	62,700	35,014
In-kind contributions	314,905	-	314,905	336,501
Grants	130,750	328,429	459,179	297,553
Special events	235,556	-	235,556	239,861
Interest income	417	-	417	152
Other income (loss)	1,249	-	1,249	(413)
Net assets released from restrictions	397,757	(397,757)	-	-
TOTAL REVENUES AND OTHER SUPPORT	1,530,409	(24,444)	1,505,965	1,259,898
EXPENSES AND LOSSES				
Program costs:				
Emergency shelter	740,293	-	740,293	718,481
Outreach development	76,936	-	76,936	59,094
Other grants	46,493	-	46,493	36,150
Management and general	151,742	-	151,742	178,857
Fund development	216,894	-	216,894	253,529
TOTAL EXPENSES	1,232,358	-	1,232,358	1,246,111
CHANGE IN NET ASSETS	298,051	(24,444)	273,607	13,787
NET ASSETS, Beginning of year	863,002	115,951	978,953	965,166
NET ASSETS, End of year	$ 1,161,053	$ 91,507	$ 1,252,560	$ 978,953

Read the accompanying Notes to the Financial Statements.

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

CASH FLOWS FROM OPERATING ACTIVITIES:	**2017**	**2016**
Change in Net Assets	$ 273,607	$ 13,787
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	75,191	73,280
(Increase)/decrease in:		
Grants receivable	(11,422)	(6,661)
Contributions receivable	(10,604)	(21,562)
Increase/(decrease) in:		
Accounts payable	11,674	(3,843)
Accrued compensated absences	550	(695)
Other accrued liabilities	1,148	(159)
NET CASH PROVIDED BY OPERATING ACTIVITIES	340,144	54,147
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(9,536)	(10,666)
NET CASH USED BY INVESTING ACTIVITIES	(9,536)	(10,666)
Net increase in cash and cash equivalents	330,608	43,481
Cash and cash equivalents, at beginning of year	308,391	264,910
Cash and cash equivalents, at end of year	$ 638,999	$ 308,391

Read the accompanying Notes to the Financial Statements.

NOTE 1 – ORGANIZATION

Family Promise of Greater Phoenix, hereinafter referred to as "the Organization," is an Arizona not-for-profit corporation formed in 1998. The Organization is one of 202 Affiliates of Family Promise programs throughout the country temporarily meeting the needs of homeless families. In keeping with the guidelines from Family Promise, the Organization arranges with local congregations to host six to eight families (twenty to thirty individuals) by providing overnight lodging (from 6:00 p.m. to 7:00 a.m. the next morning), dinner, and hospitality. The Organization provides bus transportation for guests between the host congregation and the day center morning and evening each day. The Organization, at the local day center in Scottsdale, provides emergency shelter and social services to help families move toward independent housing and self-sufficiency. Guest services are available from 8:30 a.m. to 5:00 p.m. The day center provides a home base for families to conduct employment and housing searches and enroll their children in school if needed; and offers counseling, life-skills training, telephone/computer access, and other educational and support services for guests.

The Organization uses a variety of methods to fund its many programs. For the year ended December 31, 2017, sources of revenue included contributions, grants, and special events.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which are presented on the accrual basis of accounting. Under the accrual basis of accounting, revenues and gains are recognized in the period in which they are earned and expenses and losses are recognized in the period in which the liability is incurred.

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Financial Accounting Standards Board ("FASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based on the following criteria:

> **Unrestricted net assets** represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
>
> **Temporarily restricted net assets** consist of contributed funds, subject to specific donor imposed restrictions, contingent upon specific performance of future events or a specific passage of time before the Organization may spend the funds.
>
> **Permanently restricted net assets** are assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the institution to use all or part of the income earned on related investments for general or specific purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all cash balances with original maturities of less than ninety days to be cash equivalents.

Property and Equipment

Building, equipment, vehicles, and furniture are recorded at cost. Donated capital assets are recorded at the estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization's policy is to capitalize assets costing $500 or more and a useful life of more than one year. Depreciation was calculated on the straight-line basis for all assets, as follows:

Equipment	2-3 years
Vehicles	7 years
Building Improvements	10 years
Buildings	20 years

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances indicate a long-lived asset may be impaired, the asset value will be reduced to fair value. Fair value is determined through various valuation techniques including quoted market values and third-party independent appraisals, as considered necessary.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Materials, Facilities, and Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provide other services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. Donated materials and facilities are recorded at fair value at the date of donation.

Fair Value Measurements

Unless otherwise indicated, the fair values of all reported assets and liabilities, which represent financial instruments and, with none being held for trading purposes, approximate the carrying values of such amounts.

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value and establish disclosures about fair value measurements. Assets and liabilities recorded at fair value in the Statement of Financial Position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full terms of the assets or liabilities.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. For cash and cash equivalents, the Organization uses the carrying amounts, which approximate fair value due to their short maturity. For long-term debt borrowings, the fair values are estimated using discounted cash flow analysis, based on the Organization’s current incremental borrowing rates for similar types of borrowing arrangements.

Restricted and Unrestricted Revenue

The Organization accounts for contributions, grants and investment revenues in accordance with generally accepted accounting principles. Contributions are recognized as revenues or gains in the period in which they are received and grant revenues and investment income received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor or grantor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from federal and state income tax on related activities under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Under the guidance of *Accounting for Uncertainty in Income Taxes*, the Center utilizes a two-step approach to recognizing and measuring uncertain tax positions (tax contingencies). The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement.

At December 31, 2017, management believes there were no uncertain tax positions.

NOTE 3 – CASH AND CASH EQUIVALENTS

As of December 31, 2017, the carrying amount of the Organization's unrestricted deposits was $638,728, and approximates fair value because of the short maturities of those financial instruments. Cash on hand was $271. Bank balances at December 31, 2017 totaled $611,718, of which $411,718 was not covered by federal depository insurance. The Organization has not experienced any losses in such accounts and management believes risk of loss is minimal.

NOTE 4 – GRANTS RECEIVABLE

Grants receivable at December 31, 2017 consisted of $20,757 due from the City of Scottsdale.

NOTE 5 – CONTRIBUTIONS RECEIVABLES

Contributions receivable at December 31, 2017 consisted of donations totaling $82,661 from individuals, corporations, and congregations. That is an increase of $10,604 from $72,057 in December 31, 2016. Management believes all contributions receivable to be 100% collectible, therefore, no allowance for uncollectible contributions receivable was established.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2017 are as follows:

Land	$ 125,000
Building	231,185
Building improvements	439,157
Vehicles	53,542
Equipment	85,339
Total cost	934,223
Less: accumulated depreciation	(387,902)
Net property and equipment	$ 546,321

Depreciation expense for the year ended December 31, 2017 was $75,192.

NOTE 7 – LINE OF CREDIT

The Organization has a $100,000 revolving line of credit, of which $100,000 was unused at December 31, 2017. The line of credit carries an interest rate of 2.0% over prime (5.50% at December 31, 2017). The credit line is secured by a Deed of Trust and Fixture Filing and an Assignment of Rents and matures April 21, 2021.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2017 are available for the following purposes:

Fiesta Bowl Charities - Playground	$ 25,000
Virginia G Piper Charitable Trust	17,099
William & Ruth Pendleton Memorial Fund	5,000
Pets With a Promise	2,500
The Charro Foundation	386
Arizona Coyotes Foundation - After School Program	338
iPromise3	41,184
Total temporarily restricted net assets	$ 91,507

NOTE 9 – DONATED MATERIALS, FACILITIES, AND SERVICES

The fair value of donated materials, facilities, and services included as contributions in the financial statements and the corresponding program expenses for the year ended December 31, 2017, were as follows:

Donated facilities and meals	$ 299,629
Donated services and facilities	15,276
Total	$ 314,905

NOTE 10 – ADVERTISING

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the year ended December 31, 2017, advertising and promotions expense totaled $73,392.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated by management through May 14, 2018, which is the date the financial statements were available for issuance. No significant events that would be expected to materially impact the financial statements were identified.

FAMILY PROMISE OF GREATER PHOENIX
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Program Costs			
	Emergency Shelter	Outreach Development	Other Grants	Total Program Costs
Salaries and wages	200,136	32,204	$ 37,051	$ 269,391
Payroll taxes	16,044	2,603	2,913	21,560
Fringe benefits	23,543	4,464	5,281	33,288
Professional fees	11,515	190	218	11,923
Advertising	1,346	30,630	0	31,976
Office expense	3,073	1,887	221	5,181
Information Technology	7,041	96	48	7,185
Occupancy	28,417	-	-	28,417
Conferences, conventions, meetings	4,895	2,201	403.00	7,499
Program services	51,035	2,200	358	53,593
Special events	-	461	-	461
Depreciation	67,330	-	-	67,330
Insurance	13,270	-	-	13,270
In-kind expenses	305,399	-	-	305,399
Payments to affiliates	7,249	-	-	7,249
Total Expenses	$ 740,293	$ 76,936	$ 46,493	$ 863,722

FAMILY PROMISE OF GREATER PHOENIX
SCHEDULE OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	Support Services			(Summarized)
	Management & General	Fund Development	2017 Total	2016 Total
Salaries and wages	$ 91,081	$ 73,058	$ 433,530	$ 390,406
Payroll taxes	7,383	5,884	34,827	30,851
Fringe benefits	16,035	5,189	54,512	58,915
Professional fees	8,495	448	20,866	27,229
Advertising	686	40,730	73,392	37,326
Office expense	2,894	1,668	9,743	8,096
Information Technology	4,238	10,174	21,597	28,425
Occupancy	3,102	2	31,521	31,501
Conferences, conventions, meetings	488	971	8,958	9,585
Program services	783	1,090	55,466	47,266
Special events	-	75,052	75,513	148,642
Depreciation	7,418	443	75,191	73,280
Insurance	1,818.00	-	15,088	11,987
In-kind expenses	7,321	2,185	314,905	336,501
Payments to affiliates	-	-	7,249	6,101
Total Expenses	$ 151,742	$ 216,894	$ 1,232,358	$ 1,246,111