

**FAMILY PROMISE  
OF GREATER PHOENIX**

**FINANCIAL STATEMENTS AND  
AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

**April 10, 2017**

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**FAMILY PROMISE OF GREATER PHOENIX  
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## **Independent Auditors' Report**

Board of Directors  
Family Promise of Greater Phoenix

### ***Report on Financial Statements***

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, 2016, 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.

***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, 2016, 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 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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 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.

*Sumbard & Associates, PLLC*

Phoenix, Arizona  
April 10, 2017

# **FINANCIAL STATEMENTS**

**FAMILY PROMISE OF GREATER PHOENIX**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2015)**

<b><u>ASSETS</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 308,391	\$ 264,910
Grants receivable	9,335	2,674
Contributions receivable	<u>72,057</u>	<u>50,495</u>
<b>TOTAL CURRENT ASSETS</b>	<u>389,783</u>	<u>318,079</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land, property & equipment	924,687	916,614
Less: Accumulated depreciation	<u>(312,710)</u>	<u>(242,023)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>611,977</u>	<u>674,591</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,001,760</u></u>	<u><u>\$ 992,670</u></u>
 <b><u>LIABILITIES</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 11,312	\$ 15,155
Accrued compensated absences	5,394	6,089
Other accrued liabilities	<u>6,101</u>	<u>6,260</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>22,807</u>	<u>27,504</u>
<b>NET ASSETS</b>		
Unrestricted	863,002	773,152
Temporarily restricted	<u>115,951</u>	<u>192,014</u>
<b>TOTAL NET ASSETS</b>	<u>978,953</u>	<u>965,166</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,001,760</u></u>	<u><u>\$ 992,670</u></u>

**Read the accompanying Notes to the Financial Statements.**

**FAMILY PROMISE OF GREATER PHOENIX  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2015)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
<b>REVENUES AND OTHER SUPPORT</b>				
Contributions from individuals	\$ 306,902	\$ 1,885	\$ 308,787	\$ 237,768
Contributions from churches	42,443	-	42,443	36,977
Contributions from corporations	35,014	-	35,014	53,256
In-kind contributions	336,501	-	336,501	429,181
Grants	22,100	275,453	297,553	412,062
Special events	239,861	-	239,861	208,905
Interest income	152	-	152	115
Other income (loss)	(413)	-	(413)	(179)
Net assets released from restrictions	353,401	(353,401)	-	-
<b>TOTAL REVENUES AND OTHER SUPPORT</b>	<u>1,335,961</u>	<u>(76,063)</u>	<u>1,259,898</u>	<u>1,378,085</u>
<b>EXPENSES AND LOSSES</b>				
Program costs:				
Emergency shelter	718,481	-	718,481	715,686
Outreach development	59,094	-	59,094	93,657
Other grants	36,150	-	36,150	39,295
Management and general	178,857	-	178,857	143,366
Fund development	253,529	-	253,529	256,766
<b>TOTAL EXPENSES</b>	<u>1,246,111</u>	<u>-</u>	<u>1,246,111</u>	<u>1,248,770</u>
<b>CHANGE IN NET ASSETS</b>	<u>89,850</u>	<u>(76,063)</u>	<u>13,787</u>	<u>129,315</u>
<b>NET ASSETS, Beginning of year</b>	<u>773,152</u>	<u>192,014</u>	<u>965,166</u>	<u>835,851</u>
<b>NET ASSETS, End of year</b>	<u>\$ 863,002</u>	<u>\$ 115,951</u>	<u>\$ 978,953</u>	<u>\$ 965,166</u>

Read the accompanying Notes to the Financial Statements.

**FAMILY PROMISE OF GREATER PHOENIX**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 2015)**

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	<u>2016</u>	<u>2015</u>
Change in Net Assets	\$ 13,787	\$ 129,315
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	73,280	61,172
Gain on sale of assets	-	764
Contributed fixed assets	-	(74,252)
(Increase)/decrease in:		
Grants receivable	(6,661)	91
Contributions receivable	(21,562)	(2,201)
Prepaid assets	-	-
Increase/(decrease) in:		
Accounts payable	(3,843)	(2,955)
Accrued compensated absences	(695)	1,810
Other accrued liabilities	(159)	(2,707)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>54,147</u>	<u>111,037</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of property and equipment	-	5,200
Acquisition of property and equipment	(10,666)	(63,134)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>(10,666)</u>	<u>(57,934)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on line of credit	-	(13,000)
Cash advances on line of credit	-	13,000
<b>NET CASH USED BY FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	<u>43,481</u>	<u>53,103</u>
<b>Cash and cash equivalents at beginning of year</b>	<u>264,910</u>	<u>211,807</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 308,391</u></u>	<u><u>\$ 264,910</u></u>

Read the accompanying Notes to the Financial Statements.



**FAMILY PROMISE OF GREATER PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016, 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.

**FAMILY PROMISE OF GREATER PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2015, 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.

**FAMILY PROMISE OF GREATER PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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 carry 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.

**FAMILY PROMISE OF GREATER PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016, management believes there were no uncertain tax positions.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

As of December 31, 2016, the carrying amount of the Organization's unrestricted deposits was \$308,120 and cash on hand was \$271. Bank balances at December 31, 2016 totaled \$332,831, of which \$82,831 was not covered by federal depository insurance. All deposits were held in long established banking institutions, and management believes risk of loss is minimal.

**NOTE 4 - GRANTS RECEIVABLE**

Grants receivable at December 31, 2016 consisted of \$9,335 due from the City of Scottsdale.

**NOTE 5 - CONTRIBUTIONS RECEIVABLES**

Contributions receivable at December 31, 2016 consisted of donations totaling \$72,057. Management believes all contributions receivable to be 100% collectible, therefore, no allowance for uncollectible contributions receivable was established.

**FAMILY PROMISE OF GREATER PHOENIX  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016**

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**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment titled to the Organization as of December 31, 2016 are as follows:

Land	\$ 125,000
Building	231,185
Building improvements	439,157
Vehicles	53,542
Equipment	<u>75,803</u>
Total Cost	924,687
Less: Accumulated depreciation	<u>(312,710)</u>
Net property and equipment	<u><u>\$ 611,977</u></u>

Depreciation expense for the year ended December 31, 2016 was \$73,280

**NOTE 7 - LINE OF CREDIT**

The Organization has a \$100,000 revolving line of credit, of which \$100,000 was unused at December 31, 2016. The line of credit carries an interest rate of 2.0% over prime (5.50% at December 31, 2016). 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, 2016 are available for the following purposes:

Program Services	\$ 102,899
Childcare Fund	8,883
Bed Bug Remediation	2,534
Pet Program	<u>1,635</u>
Total temporarily restricted net assets	<u><u>\$ 115,951</u></u>

**FAMILY PROMISE OF GREATER PHOENIX**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

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**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, 2016, were as follows:

Donated facilities and meals	\$ 318,513
Donated services	<u>17,988</u>
Total	<u>\$ 336,501</u>

**NOTE 10 - ADVERTISING**

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the year ended December 31, 2016, advertising and promotions expense totaled \$37,326.

**NOTE 11 - SUBSEQUENT EVENTS**

Subsequent events were evaluated by management through April 10, 2017, 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.

## **SUPPLEMENTARY INFORMATION**

**FAMILY PROMISE OF GREATER PHOENIX  
SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Costs				Support Services		
	Emergency Shelter	Outreach Development	Other Grants	Total Program Costs	Management & General	Fund Development	Total
Salaries and wages	\$ 175,087	\$ 26,518	\$ 28,527	\$ 230,132	\$ 95,453	\$ 64,821	\$ 390,406
Payroll taxes	13,692	2,137	2,291	18,120	7,594	5,137	30,851
Fringe benefits	22,861	1,434	4,951	29,246	16,966	12,703	58,915
Professional fees	17,893	168	175	18,236	8,588	405	27,229
Advertising	1,261	11,824	46	13,131	1,062	23,133	37,326
Office expense	2,532	1,726	89	4,347	2,592	1,157	8,096
Information Technology	4,445	-	-	4,445	21,685	2,295	28,425
Occupancy	26,012	-	-	26,012	5,486	3	31,501
Conferences, conventions, meetings	5,900	1,857	-	7,757	1,056	772	9,585
Program services	42,087	2,377	71	44,535	911	1,820	47,266
Special events	-	11,053	-	11,053	-	137,589	148,642
Depreciation	66,065	-	-	66,065	6,836	379	73,280
Insurance	10,790	-	-	10,790	1,197	-	11,987
In-kind expenses	323,755	-	-	323,755	9,431	3,315	336,501
Payments to affiliates	6,101	-	-	6,101	-	-	6,101
<b>Total Expenses</b>	<b>\$ 718,481</b>	<b>\$ 59,094</b>	<b>\$ 36,150</b>	<b>\$ 813,725</b>	<b>\$ 178,857</b>	<b>\$ 253,529</b>	<b>\$ 1,246,111</b>