FAMILY PROMISE OF GREATER PHOENIX

(A NON-PROFIT CORPORATION)

REPORT ON AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

Family Promise of Greater Phoenix

December 31, 2018

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a professional corporation

Independent Auditor's Report

To the Board of Directors of
Family Promise of Greater Phoenix
Phoenix, Arizona

We have audited the accompanying financial statements of Family Promise of Greater Phoenix (a non-profit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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, 2018, and the changes in its net assets, 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

The financial statements of Family Promise of Greater Phoenix for the year ended December 31, 2017 were audited by another audit firm who expressed an unmodified audit opinion in their report dated May 14, 2018. The summarized comparative information for 2017 is presented for comparative purposes and was not subject to audit procedures applied in the audit of the financial statements and therefore we do not express an opinion or any other assurance with respect to this information.

Grass Coffey & Scharlau CPA's

Grass Coffey & Scharlau, CPAs
Phoenix, Arizona
July 18, 2019

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2017)

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 233,646	$ 638,999
Grants receivable	19,977	20,757
Contributions receivable	51,800	82,661
Accounts receivable - other	900	-
Investments	560,487	-
TOTAL CURRENT ASSETS	866,810	742,417
PROPERTY AND EQUIPMENT		
Land, property & equipment	983,607	934,223
Less: accumulated depreciation	(467,762)	(387,903)
NET PROPERTY AND EQUIPMENT	515,845	546,320
TOTAL ASSETS	$ 1,382,655	$ 1,288,737
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 10,314	$ 22,984
Accrued compensated absences	4,904	5,944
Other accrued liabilities	8,500	7,249
Total Current Liabilities	23,718	36,177
NET ASSETS		
Unrestricted net assets	1,138,020	1,161,053
Restricted net assets	220,917	91,507
Total Net Assets	1,358,937	1,252,560
TOTAL LIABILITIES AND NET ASSETS	$ 1,382,655	$ 1,288,737

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018			(Summarized) Total
	Unrestricted	Restricted	Total	2017
REVENUE AND OTHER SUPPORT				
Contributions from individuals	$ 363,243	$ 22,017	$ 385,260	$ 394,570
Contributions from churches	45,028	57,750	102,778	37,389
Contributions from corporations	35,233	15,358	50,591	62,700
In-kind contributions	335,077	-	335,077	314,905
Grants	84,200	307,361	391,561	459,179
Special events	199,629	-	199,629	235,556
Investment income	8,409	-	8,409	1,666
Net assets released from restrictions	273,076	(273,076)	-	-
TOTAL REVENUE AND OTHER SUPPORT	1,343,895	129,410	1,473,305	1,505,965
EXPENSES				
Program Costs:				
Emergency shelter	823,828	-	823,828	740,293
Outreach program	118,432	-	118,432	76,936
Other grants	4,218	-	4,218	46,493
Total Program Costs	946,478	-	946,478	863,722
Support Services:				
Management and general	200,004	-	200,004	151,742
Fundraising	220,446	-	220,446	216,894
Total Support Services	420,450	-	420,450	368,636
TOTAL EXPENSES	1,366,928	-	1,366,928	1,232,358
CHANGE IN NET ASSETS	(23,033)	129,410	106,377	273,607
NET ASSETS, Beginning of year	1,161,053	91,507	1,252,560	978,953
NET ASSETS, End of year	$ 1,138,020	$ 220,917	$ 1,358,937	$ 1,252,560

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

	Program Costs				Support Services			
	Emergency Shelter	Outreach Development	Other Grants	Total Program Costs	Management & General	Fundraising	2018 Total	(Summarized) 2017 Total
Salaries and wages	$ 237,280	$ 69,876	$ 3,789	$ 310,945	$ 130,785	$ 94,151	$ 535,881	$ 433,530
Payroll taxes	18,418	5,684	310	24,412	9,318	8,328	42,058	34,827
Fringe benefits	23,796	7,065	66	30,927	19,235	8,266	58,428	54,512
Professional fees	11,581	423	31	12,035	8,718	632	21,385	20,866
Advertising	1,587	25,344	-	26,931	1,834	31,803	60,568	73,392
Office expense	4,774	4,423	-	9,197	5,329	2,038	16,564	9,743
Information technology	8,074	114	12	8,200	5,193	5,460	18,853	21,597
Occupancy	36,938	57	-	36,995	3,099	-	40,094	31,521
Conferences, conventions, meetings	2,770	1,389	-	4,159	1,238	954	6,351	8,958
Program services	61,374	3,146	10	64,530	627	1,087	66,244	55,466
Special events	-	588	-	588	-	62,964	63,552	75,513
Depreciation	71,127	323	-	71,450	7,766	643	79,859	75,191
Insurance	12,218	-	-	12,218	1,296	-	13,514	15,088
In-kind expenses	325,391	-	-	325,391	5,566	4,120	335,077	314,905
Payments to affiliates	8,500	-	-	8,500	-	-	8,500	7,249
	$ 823,828	$ 118,432	$ 4,218	$ 946,478	$ 200,004	$ 220,446	$ 1,366,928	$ 1,232,358

See accompanying notes to financial statements

FAMILY PROMISE OF GREATER PHOENIX
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2017)

CASH FLOWS FROM OPERATING ACTIVITIES:	**2018**	**2017**
Change in net assets	$ 106,377	$ 273,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,859	75,191
Loss on investments	1,180	-
(Increase)/decrease in:		
Grants receivable	780	(11,422)
Contributions receivable	30,861	(10,604)
Other receivables	(900)	-
Increase/(decrease) in:		
Accounts payable	(12,670)	11,674
Accrued compensated absences	(1,040)	550
Other accrued liabilities	1,250	1,148
NET CASH PROVIDED BY OPERATING ACTIVITIES	205,697	340,144
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(49,383)	(9,536)
Investment in securities	(584,750)	-
Proceeds from sale of investments	23,083	-
NET CASH USED IN INVESTING ACTIVITIES	(611,050)	(9,536)
Net (decrease) increase in cash and cash equivalents	(405,353)	330,608
Cash and Cash Equivalents, beginning of year	638,999	308,391
Cash and Cash Equivalents, end of year	$ 233,646	$ 638,999

Supplemental Disclosures of Cash Flow Information:

Interest paid	$ -	$ -
Income taxes paid	$ -	$ -

1. ORGANIZATION:

Family Promise of Greater Phoenix ("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. The Organization is responsible for paying affiliate dues to the national Organization at a maximum of $8,500 per year. 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, 2018, sources of revenue included contributions, grants and special events.

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

Effective December 31, 2018, the Organization adopted the reporting requirements of the Financial Accounting Standards Board Statement of Financial Accounting Standards (FASB ASU 2016-14), *Presentation of Financial Statements of Not-for-Profit Entities (NFP).* Under the standard, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: unrestricted net assets and restricted net assets (net assets with donor restrictions).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

The Financial Accounting Standards Board (FASB) also issued ASU 2014-15, Presentation of Financial Statements-Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern. The standard became effective during the current fiscal year and defines management's responsibility to evaluate whether there is a substantial doubt about an entity's ability to continue as a going concern and to provide relevant footnote disclosures. The Organization adopted the standard during the year and management has determined that there are no going concern considerations that would require additional disclosures in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain reported amounts of assets 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, 2017, from which the summarized information was derived.

Cash and Cash Equivalents:

For purposes of the statements 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 specified 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 restricted net assets to unrestricted net assets at that time.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

It is the Organization's policy 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 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.

Donated Services, Space, and Materials

Donated (in-kind) materials and services are measured at their estimated values at the date of donation if they enhance the Organization's non-financial assets or require specialized skills that the Organization would normally purchase, if not provided by donation. The Organization recognized in kind donated lodging of $118,400, and meals provided of $135,555. The lodging is valued at $50 per family per day, and meals are valued at $15 per person per day. The related expenses have been allocated within the statement of functional expenses across all functional expense categories based on programs benefited. The Organization also recognized in-kind professional services of $81,122. These donated items contribute directly to the program services and are included as such on the statement of functional expenses. Additionally, volunteers donate a significant amount of time to the Organization's program services. The amount of this additional volunteer time is not reflected in the accompanying financial statements since these services did not meet the recognition requirement under generally accepted accounting principles.

Special Events Revenue

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the accompanying statement of activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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, or 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), restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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 Arizona income taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Arizona Revenue and Taxation Code Section 17.22(a). 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 Organization 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, 2018, management believes there were no uncertain tax positions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Recent accounting pronouncements – In May, 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date for non-public entities is for annual reporting periods beginning after December 15, 2018, with earlier application permitted. Management is currently evaluating the potential effect that the adoption of this standard will have on its financial reporting.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, (Topic 842). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019. Management is currently evaluating the potential effect that the adoption of this standard will have on its financial reporting.

3. CASH AND CASH EQUIVALENTS:

As of December 31, 2018, the carrying amount of the Organization's unrestricted deposits was $233,375, and approximates fair value because of the short maturities of those financial instruments. Cash on hand was $271. Bank balances at December 31, 2018 totaled $281,395, of which $31,395 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.

4. GRANTS AND CONTRIBUTIONS RECEIVABLES:

Grants receivable at December 31, 2018 consisted of $19,977 due from the City of Scottsdale.

Contributions receivable at December 31, 2018 consisted of donations totaling $51,800 from individuals, corporations, and congregations. Management believes all contributions receivable to be 100% collectible, therefore, no allowance for uncollectible contributions receivable was established.

5. SHORT TERM INVESTMENTS:

Investments are reported at fair market value ("FMV") for those investments with unadjusted quoted market values in active markets (Level 1), unadjusted quoted values in markets that are not active (Level 2) or unobservable inputs (Level 3). Fair values for short term investments were determined by reference to quoted market prices or other relevant information generated by market transactions (Level 1 input). Investments at December 31, 2018, consisted of the following:

	Cost	Fair Value	Unrealized Gain (Loss)
Mutual Fund:			
Vanguard short-term Bond Index Admiral	$ 559,366	$ 558,060	$(1,306)
Stocks:			
Insperity, Inc.	2,427	2,427	-
Total Investments	$ 561,793	$ 560,487	$(1,306)
Realized gain on investment sales			127
Dividend income			9,369
Interest income			219
Net Investment Income			$8,409

The investments in mutual funds and stock funds are reported as short-term as they are available for current operations. Donated securities are recorded at fair value at the date received. During the year ended December 31, 2018, the fair value of donated stock received was $23,145. All investments are subject to credit risk due to market price fluctuations.

6. PROPERTY AND EQUIPMENT:

Property and equipment as of December 31, 2018 are as follows:

Land	$ 125,000
Building	232,661
Building Improvements	475,284
Vehicles	53,542
Equipment	97,120
Total cost	983,607
Less: accumulated depreciation	467,762
Net property and equipment	$ 515,845

Depreciation expense for the year ended December 31, 2018 was $79,859.

7. LINE OF CREDIT:

The Organization has a $100,000 revolving line of credit, of which $100,000 was unused at December 31, 2018. The line of credit carries an interest rate of .25% over prime (5.75% at December 31, 2018). The credit line is secured by a Deed of Trust and Fixture Filing and an Assignment of Rents and matures April 21, 2021.

8. RESTRICTED NET ASSETS:

Restricted net assets as of December 31, 2018 are available for the following purposes:

Childcare	$ 52,074
Hygiene kits	5,000
East Valley Day Center	53,000
Emergency Shelter Program	42,424
New refrigerators	13,459
Pets with a promise	1,790
2 vans	50,000
Memorial Fund	3,000
Miscellaneous	170
	$220,917

9. OPERATING LEASES:

The Organization signed a lease for office space during the year ended December 31, 2018 that included a purchase option (Note 12). The lease required monthly payments of $670 per month through September, 2019 or until the purchase option was exercised. Total lease expense related to this lease was $2,323 for 2018. Effective January 25, 2019, the Organization entered into a copier lease at $287 per month through December, 2023.

Future minimum lease payments are as follows:

Years Ending December 31:	
2019	$ 9,139
2020	3,444
2021	3,444
2022	3,444
2023	3,444
Thereafter	-
Total minimum future lease payments	$ 22,915

10. ADVERTISING:

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. For the year ended December 31, 2018, advertising and promotions expense totaled $39,292.

11. LIQUIDITY AND AVAILABILITY:

The Board of Directors of the Organization regularly monitors the availability of resources required to meet its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. Financial assets available for general expenditure within one year consist of the following:

Financial assets at year-end:	
Cash and cash equivalents	$ 233,646
Contributions receivable	52,700
Grants receivable	19,977
Investments	560,487
Total financial assets:	$ 866,810
Less amounts not available to be used within one year:	
Donor imposed restricted funds (Financial assets not available to be used within one year)	(220,917)
Financial assets available to meet general expenditures within one year	$ 645,893

12. SUBSEQUENT EVENTS:

In May, 2019, the Organization entered into an agreement to purchase a building in Glendale, Arizona for $150,000.00 which it was leasing (Note 9). The purchase was funded through a grant awarded to the Organization in March, 2019. The grant award was for a total of $337,750 over two years. The first year's award of $271,270 was received and deposited in April, 2019.

Subsequent events were evaluated by management through July 18, 2019, which is the date the financial statements were available for issuance.