FOSTER ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2021

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AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2021

CONTENTS

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of **Foster Arizona:**

**Opinion**

I have audited the accompanying consolidated financial statements of Foster Arizona (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expense and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively "the financial statements").

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foster Arizona as of December 31, 2021, 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.

**Basis for Opinion**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

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

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

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

**Supplementary Information**

My audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position on page 17, and the consolidating schedule of activities on page 18 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gregory Michael Coy, CPA, PLLC

Gregory Michael Coy, CPA, PLLC
Phoenix, AZ

August 18, 2022

# FOSTER ARIZONA

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

### A S S E T S

| | 2021 |
|---|---|
| ASSETS | |
| Cash | $ 188,617 |
| Contributions receivable, net | 19,309 |
| Prepaid expenses and other assets | 3,621 |
| Total Current Assets | 211,547 |
| PROPERTY AND EQUIPMENT,net | 1,137,096 |
| TOTAL ASSETS | $ 1,348,643 |

### L I A B I L I T I E S   A N D   N E T   A S S E T S

| | |
|---|---|
| LIABILITIES | |
| Accounts payable | $ 750 |
| Accrued expenses | 6,475 |
| Long-term debt, current portion | 27,669 |
| Total Current Liabilities | 34,894 |
| LONG-TERM DEBT, net of current portion | 740,192 |
| TOTAL LIABILITIES | 775,086 |
| NET ASSETS | |
| Net assets without donor restrictions | 554,248 |
| Net assets with donor restrictions | 19,309 |
| TOTAL NET ASSETS | 573,557 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,348,643 |



See Accompanying Notes to Consolidated Financial Statements

# FOSTER ARIZONA

## CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2021

| | Net Assets Without Donor Restrictions | Net Assets With Donor Restrictions | 2021 |
|---|---|---|---|
| SUPPORT AND REVENUE | | | |
| Contributions | $ 265,036 | $ 50,407 | $ 315,443 |
| Participant fees and registrations | 38,159 | - | 38,159 |
| Donated materials and services | 100,966 | - | 100,966 |
| Merchandise sales | 477 | - | 477 |
| Other income | 15 | - | 15 |
| Support and revenue before special events | 404,653 | 50,407 | 455,060 |
| Special event revenue: | | | |
| Special event income | 34,630 | - | 34,630 |
| Auction revenue | 25,810 | - | 25,810 |
| Direct donor benefits | (8,873) | - | (8,873) |
| Net special event revenue | 51,567 | - | 51,567 |
| Net assets released from restrictions | 47,306 | (47,306) | - |
| TOTAL SUPPORT AND REVENUE | 503,526 | 3,101 | 506,627 |
| EXPENSES | | | |
| Program services | 289,952 | - | 289,952 |
| Supporting services: | | | |
| Management and general | 19,978 | - | 19,978 |
| Fundraising | 50,740 | - | 50,740 |
| Total supporting services | 70,718 | - | 70,718 |
| TOTAL EXPENSES | 360,670 | - | 360,670 |
| CHANGE IN NET ASSETS | 142,856 | 3,101 | 145,957 |
| NET ASSETS, BEGINNING OF YEAR | 411,392 | 16,208 | 427,600 |
| NET ASSETS, END OF YEAR | $ 554,248 | $ 19,309 | $ 573,557 |

# FOSTER ARIZONA

## CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE

For the year ended December 31, 2021

| | Program Services | Management and General | Fundraising | Supporting Services | 2021 |
|---|---|---|---|---|---|
| Salaries and wages | $ 62,090 | $ 12,311 | $ 12,120 | $ 24,431 | $ 86,521 |
| Payroll taxes and benefits | 5,226 | 1,036 | 1,020 | 2,056 | 7,282 |
| Program costs | 104,934 | - | - | - | 104,934 |
| Contract labor | 4,000 | - | 30,300 | 30,300 | 34,300 |
| Repairs and maintenance | 25,971 | - | - | - | 25,971 |
| Depreciation | 16,188 | - | - | - | 16,188 |
| Utilities | 16,150 | - | - | - | 16,150 |
| Interest | 14,470 | - | - | - | 14,470 |
| Software maintenance | 9,577 | 1,898 | 1,869 | 3,767 | 13,344 |
| Insurance | 8,633 | 480 | 480 | 960 | 9,593 |
| Telephone and communications | 5,727 | 1,135 | 1,118 | 2,253 | 7,980 |
| Bank charges and merchant fees | 4,080 | 809 | 796 | 1,605 | 5,685 |
| Professional fees | 3,793 | 532 | 524 | 1,056 | 4,849 |
| Travel and auto | 2,583 | 512 | 504 | 1,016 | 3,599 |
| Small equipment | 1,977 | 392 | 386 | 778 | 2,755 |
| Materials and supplies | 1,482 | 371 | - | 371 | 1,853 |
| Donor relations and volunteer appreciation | - | - | 1,483 | 1,483 | 1,483 |
| Film and video editing | 1,387 | - | - | - | 1,387 |
| Background checks | 722 | - | - | - | 722 |
| Postage and printing | 373 | 74 | 73 | 147 | 520 |
| Dues, subscriptions and licenses | 319 | 63 | 62 | 125 | 444 |
| Meals and entertainment | 25 | 5 | 5 | 10 | 35 |
| Other | 245 | 360 | - | 360 | 605 |
| | $ 289,952 | $ 19,978 | $ 50,740 | $ 70,718 | $ 360,670 |



See Accompanying Notes to Consolidated Financial Statements

# FOSTER ARIZONA

## CONSOIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2021

| | | 2021 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | $ | 145,957 |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Donated property and equipment | | (63,000) |
| Forgiveness of Paycheck Protection Program loan | | (10,000) |
| Depreciation expense | | 16,188 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in: | | |
| Contributions receivable | | (3,101) |
| Prepaid expenses and other assets | | (3,621) |
| Increase (decrease) in: | | |
| Accounts payable | | 750 |
| Accrued expense | | 6,475 |
| Net cash provided by (used in) operating activities | | 89,648 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | | (515,693) |
| Net cash used in investing activities | | (515,693) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from long-term debt | | 510,000 |
| Payments on long-term debt | | (10,659) |
| Net cash provided by (used in) investing activities | | 499,341 |
| NET CHANGE IN CASH | | 73,296 |
| CASH, BEGINNING OF YEAR | | 115,321 |
| CASH, END OF YEAR | $ | 188,617 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid for interest | $ | 13,186 |
| Cash paid for income taxes | $ | - |
| Non-cash financing activities: | | |
| Donated property and equipment | $ | 63,000 |
| Forgiveness of Paycheck Protection Program loan | $ | 10,000 |



See Accompanying Notes to Consolidated Financial Statements

## (1) Organization purpose and summary of significant accounting policies

*Organization purpose* – Foster Arizona is a not-for-profit corporation incorporated in September 2013, and operating in the State of Arizona. Foster Arizona's mission is focused on educating, encouraging and empowering Arizonans to positively impact the lives of children in foster care. Foster Arizona's support is generated primarily from contributions and grants.

Foster Arizona Housing Project is a not-for-profit corporation incorporated in April 2018, and operating in the State of Arizona. Foster Arizona Housing Project's mission is to bridge the gap between impacting children in foster care and impacting youth as they transition out of foster care. The mission is focused on educating, encouraging and empowering Arizonans to positively impact the lives of adults transitioning out of foster care. Foster Arizona Housing Project's support is generated primarily from contributions and grants and from participant fees paid by participants in the program.

*Consolidated financial statements* – The accompanying consolidated financial statements (collectively "the financial statements"), include the accounts of Foster Arizona and Foster Arizona Housing Project (collectively referred to as the "Organization"). The financial statements are consolidated as a result of the of the fact that Foster Arizona has both an economic interest and control of Foster Arizona Housing Project. Intercompany transactions consist primarily of rental revenue paid or due to Foster Arizona from Foster Arizona Housing Project. All significant intercompany accounts and transactions have been eliminated in consolidation.

The significant accounting policies followed by the Organization are as follows:

*Basis of accounting* - The financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables and other assets and liabilities.

*Basis of presentation* - The financial statement presentation reports information regarding its financial position and activities according to two classes of net assets:

- *Net Assets Without Donor Restrictions* – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.
- *Net Assets With Donor Restrictions* – Assets subject to usage limitations based on donor imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity. At December 31, 2021, the Organization had no restrictions required to be maintained in perpetuity.

*COVID-19 pandemic* - At the time of this report's release, citizens and the economies of the United States and other countries have been impacted by the coronavirus (COVID-19) pandemic. The World Health Organization declared a Public Health Emergency on January 30, 2020. The evolution of the virus, the extent of its economic impact and the results of steps taken and yet to be taken by governments and financial institutions are unknown. Governments, businesses and non-profit organizations have faced supply chain disruptions, labor shortages, revenue declines, an increase in bad debts, reduced cash flow, difficulties meeting loan covenants, goodwill and inventory impairment, credit difficulties, and other financial implications. Furthermore, the financial markets have experienced significant levels of volatility as a result of the pandemic. The significance and the duration of the pandemic's financial impact are indeterminable.

*Cash* - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). the Organization maintains cash balances at financial institutions which may, at times, exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC), and therefore, the Organization is at risk of loss of these funds should the financial institution become insolvent.

**(1) <u>Organization purpose and summary of significant accounting policies (continued)</u>**

*Contributions receivable* - Unconditional promises to give (contributions receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates applicable to the years in which the promises are received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on their assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to receivables. At December 31, 2021, all contributions receivable are due in less than one year and management considers contributions receivable to be fully collectible and, therefore, an allowance for uncollectible contributions receivable and a discount has not been provided.

*Accounts receivable* – Accounts receivable consist primarily of exchange transaction revenue or other amounts due within one year. The Organization, at times, grants credit without collateral to its funders and others. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Although the Organization does not require collateral on its accounts receivable, credit risk with respect to accounts receivable is limited due to the fact that accounts receivable are not significant in amount at December 31, 2021. At December 31, 2021, the Organization did not have any outstanding accounts receivable.

*Property and equipment and related depreciation* - Purchased property and equipment is valued at cost and donated property and equipment is recorded at fair value at the date of the gift to the Organization. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $5,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for 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 net assets with donor restrictions to net assets without donor restrictions at that time.

*Contributions and grants* - Contributions received are recorded as support with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions or without donor restrictions depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions on unconditional contributions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

*Conditional contributions* – Conditional contributions contain a donor-imposed condition that represents a barrier that must be overcome before the Organization is entitled to the assets transferred or promised. Failure to overcome the barrier gives the donor a right of return of the assets it has transferred or gives the promisor a right of release from its obligation to transfer its assets. Conditional contributions are recognized

**(1) Organization purpose and summary of significant accounting policies (continued)**

as support, either with or without donor restrictions, when donor-imposed conditions are substantially met (i.e., barriers are overcome). Restrictions on conditional contributions that are met in the same reporting period as the revenue is recognized are reported in the statement of activities as support within net assets without donor restrictions

*Donated materials and services* - Donated materials and professional services are recorded at their estimated values if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase, if not provided by donation. During the year ended December 31, 2021, the Organization recognized the following donated materials and services:

- Donated construction services with an estimated fair value of $12,000, which were related to an ongoing apartment construction project and are capitalized as construction in-progress. These services were provided by a related party.
- Donated professional fees with an estimated fair value of $9,675, which were utilized for program and supporting services activities. These services were provided by related parties.
- Donated development costs for the Foster Cooperative online community with an estimated fair value of $36,000, which are capitalized as an in-progress project.
- Donated materials and supplies an estimated fair value of $43,291, which were utilized for program and supporting services activities.
- Donated auction items with an estimated fair value of $26,612, which were monetized during a special event. The Organization received cash proceeds of $23,310 related to these items and recognized a loss on the auction of $3,302. The estimated fair value of these items, less the loss, is included in the auction revenue in the accompanying consolidated statement of activities.
- Donated auction item with an estimated fair value of $2,500 that was not monetized during the special event and is included in other assets on the accompanying consolidated statement of financial position.

Volunteers donate a significant amount of time to the Organization's program services. No amounts have been reflected in the financial statements for these other volunteer services, since they did not meet the recognition requirements under generally accepted accounting standards. The monetary value of in-kind services contributed volunteer hours as follows is calculated at the estimated hourly rates of $28.54 for 2021 as published in the Economic Report of the President as reported by the *Independent Sector*. For the year ended December 31, 2021, Foster Arizona received a total of 1,955 hours of volunteer services with an estimated value of $55,809. Foster Arizona Housing program received a total of 235 hours of volunteer services with an estimated value of $6,701.

*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 consolidated statement of changes in net assets. All proceeds received in excess of the direct costs are recorded as special events contributions in the accompanying statement of activities.

*Exchange transaction revenue recognition* - Exchange transaction revenue is measured based on a consideration specified in a contract with a customer, and excludes any sales incentives and amounts collected on behalf of third parties. The Organization recognizes revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Since the amortization period for any incremental costs of obtaining any contract is one year or less, the Organization has elected the practical expedient under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-65-1.

**(1) Organization purpose and summary of significant accounting policies (continued)**

The Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-10-4 for applying the revenue standard to a portfolio of contracts with similar characteristics. The Organization accounts for the contracts within each portfolio as a collective group, rather than individual contracts, based on the payment pattern expected in each portfolio category and the similar nature and characteristics within each portfolio. Based on historical collection trends and other analysis, management has concluded that revenue for each portfolio type would not be materially different than if accounting for revenue on a contract-by-contract basis. Exchange transaction revenue is included in service revenue on the accompanying statement of activities and consists of the following:

- *Participant fees* – The Organization charges participants in its housing programs a monthly fee to participate in the program. In exchange for the fee the Organization provides the participant with housing, housing supplies, and other program services. The transaction price is based upon a predetermined monthly amount as stated in the participant agreement. The participant agreement operates on a month-to-month basis and the performance obligations are satisfied and fees are recognized on a monthly basis. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided under FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract assets or liabilities, related to participant fees at December 31, 2021. Since the period of time between the service being provided and the time that the services are paid is typically one year or less, the Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for any financing component. Total revenue from participant fees recognized is $34,691, for the year ended December 31, 2021.

- *Registration fees* – The Organization, at times, charges fees to individuals for attendance at its Kids Connection events. For the year ended December 31, 2021, the Organization did not recognize any fee for service revenue. The transaction price is based upon a predetermined amount determined prior to the date of the event. The performance obligations are satisfied and fees are recognized as revenue on the date of the event. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract assets or liabilities, related to registration fees at December 31, 2021. Since the period of time between the service being provided and the time that the services are paid is typically one year or less, the Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for any financing component. Total revenue from registration fees recognized is $3,468, for the year ended December 31, 2021.

- *Merchandise sales* – The Organization, at times, sells merchandise to the public. Performance obligations for merchandise sales are satisfied at the point in time that each sale is completed. The transaction price for the merchandise sales is based upon a predetermined retail price for each item. Because the performance obligations relate to contracts with a duration of less than one year, the Organization has elected to apply the exemption provided the FASB ASC 606-10-50-14(a), and is not required to disclose the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied or partially satisfied at the end of the reporting period. The Organization did not have any unsatisfied or partially satisfied performance obligations, or any contract assets or liabilities, related to registration fees at December 31, 2021. Since the period of time between the service being provided and the time that the services are paid is typically one year or less, the Organization has elected to apply the practical expedient allowed under FASB ASC 606-10-32-18 for any financing component.

## (1) Organization purpose and summary of significant accounting policies (continued)

*Functional allocation of expenses* - The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and/or resources devoted to each activity.

*Income tax status* – Both Foster Arizona and Foster Arizona Housing Project are organized as Arizona non-profit corporations and have been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as organizations described in Section 501(c)(3) and have been determined not to be a private foundations under Sections 509(a)(2) and 170(b)(1)(A)(vi). Accordingly, contributions to Foster Arizona and Foster Arizona Housing Project qualify for the charitable contribution deduction under Section 170. Foster Arizona and Foster Arizona Housing Project are both annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is generally subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. Management has determined the Organization has no taxable unrelated business income related to the Organization’s activities and it has not filed the Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent, Form 99-T for either Foster Arizona or Foster Arizona Housing Project.

The tax years ended 2018, 2019, and 2020 are still open to audit for both federal and state purposes. Management believes that it has appropriate support for any income tax positions taken, 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.

*Fair value measurements* – The Organization utilizes a valuation framework that provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value measurements. the Organization measures fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable For the year ended December 31, 2021, the Organization did not have any assets or liabilities subject to fair value measurement other than at initial recognition.

*Impairment of long-lived assets* – The Organization accounts for long-lived assets in accordance with the provisions of *Accounting for the Impairment of Long-Lived Assets.* This accounting standard requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management believes that no long-lived assets have any impairment of value.

*Use of estimates* - The preparation of financial statements in conformity with U.S. 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 reported amounts of revenues and expenses during the reporting period. Due to their prospective nature, actual results could differ from those estimates.

## (1) Organization purpose and summary of significant accounting policies (continued)

*Subsequent events* - The Organization evaluated subsequent events after the statement of financial position date of December 31, 2021 through August 18, 2022, which was the date the Organization's financial statements were available to be issued. No conditions, other than those described below, were noted which did not exist as of December 31, 2021, but arose subsequent to that date.

- On February 25, 2022, Foster Arizona sold an easement on property owned by Foster Arizona to the City of Mesa for $36,933.
- Subsequent to year end, Foster Arizona incurred costs of approximately $60,000 related to pre-construction costs for an apartment building to be built on property owned by Foster Arizona. The apartments are to be used as a program housing facility. The estimated total costs of construction for this project are approximately $5,000,000.
- Subsequent to year end, Foster Arizona incurred costs of approximately $10,800 related to the ongoing development cost for the Foster Cooperative online community.

## (2) Liquidity and availability of financial assets

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The Organization has various sources of liquidity at its disposal, including cash & cash equivalents, marketable investment securities, accounts receivable and unrestricted contributions receivable. the Organization structures its financial assets to be available to meet general expenditures, liabilities and other obligations as they come due. In addition to financial assets available to meet general expenditures over the next 12 months, the Organization prepares and operates within an annual budget.

Financial assets available to meet general expenditures within one year:

| | 2021 | 2020 |
|---|---|---|
| Cash | $ 188,617 | $ 115,321 |
| Contributions receivable due in the next 12 months | 19,309 | 16,208 |
| | 207,926 | 131,529 |
| Donor imposed restrictions | (19,309) | (16,208) |
| Financial assets available to meet general expenditures within one year | $ 188,617 | $ 115,321 |

## (3) Paycheck Protection Program loan

During the year ended December 31, 2020, the Organization entered into a promissory note (loan) with a financial institution in the amount of $10,000. The loan is through the Small Business Association ("SBA") Federal Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan bears interest at a rate of 1%. The loan was originally due to be repaid in 18 monthly payments ending during the year ended December 31, 2022. The loan program requirements allow the loan to be forgiven for all payroll costs, covered mortgage interest, covered rent payments and covered utility payments incurred during the 8-week period beginning the date of the initial disbursement of the loan. Not more than 25% of the amount forgiven can be attributable to non-payroll costs. On March 3, 2021, the Organization was granted forgiveness of the entire balance of the loan by the SBA. Accordingly, the Organization has recognized the entire amount of the forgiven loan as contribution revenue during the year ended December 31, 2021.

## (4) Property and equipment

| Property and equipment consist of: | | 2021 |
|---|---|---|
| Cost or donated value: | | |
| Land | $ | 258,500 |
| Building and facilities | | 857,400 |
| Improvements | | 11,000 |
| Foster Cooperative online community project in progress | | 45,000 |
| Construction in progress | | 12,000 |
| Total cost or donated value | | 1,183,900 |
| Accumulated depreciation | | (46,804) |
| Net property and equipment | $ | 1,137,096 |

Depreciation expense charged to operations was $16,188 for 2021.

## (5) Long-term debt

| Long-term debt consists of: | | 2021 |
|---|---|---|
| Note payable to a related party board member, dated February 15, 2019, and secured by a deed of trust on real property. Payable in monthly payments of $1,887 and an annual interest rate of 5%. Outstanding principal and accrued interest due by March 31, 2039. | $ | 257,861 |
| Note payable to a related party board member, dated December 29, 2021, and secured by a deed of trust on real property. Payable in monthly payments of $1,771 and an annual interest rate of 5%. Outstanding principal and accrued interest due by December 30, 2051. | | 255,000 |
| Note payable to a related party board member, dated December 29, 2021, and secured by a deed of trust on real property. Payable in monthly payments of $1,771 and an annual interest rate of 5%. Outstanding principal and accrued interest due by December 30, 2051. | | 255,000 |
| Total Net Long-Term Debt | | 767,861 |
| Less: Current Maturities | | (27,669) |
| Noncurrent Maturities | $ | 740,192 |

Future maturities of long-term debt are as follows:

| Years ended December 31, | | |
|---|---|---|
| 2022 | $ | 27,669 |
| 2023 | | 28,489 |
| 2024 | | 29,946 |
| 2025 | | 31,478 |
| 2026 | | 33,088 |
| Thereafter | | 617,191 |
| Total annual maturities of long-term debt | $ | 767,861 |

## (6) Net assets with donor restrictions and release of restrictions

Net assets with donor restrictions consist of the following:

| | | 2021 |
|---|---|---|
| Time restrictions: | | |
| Contributions receivable | $ | 19,309 |
| Total net assets with donor restrictions | $ | 19,309 |

Net assets released from donor restrictions consist of the following:

| | | 2021 |
|---|---|---|
| Purpose restrictions: | | |
| Foster Arizona housing program | $ | 24,098 |
| Program activities | | 7,000 |
| Time restrictions: | | |
| Contributions receivable | | 16,208 |
| Total net assets released from restrictions | $ | 47,306 |

## (7) Related party transactions

From time to time, members of the board of directors and senior management of the Organization provide cash contributions to the Organization. Cash contributions from board members and senior management totaled $64,885 for the year ended December 31, 2021.

Notes payable with outstanding amounts at December 31, 2021, of $257,861 and $255,000 are due and payable to the Co-chair of the board of directors of the Organization.

A note payable with an outstanding amount at December 31, 2021, of $255,000 is due and payable to a member of the board of directors of the Organization, who is also a close relative of the Executive Director.

Donated construction services with an estimated fair value of $12,000, were provided by a member of the board or directors, who is also a close relative of Executive Director. These services are related to an ongoing apartment construction project and are capitalized as construction in progress.

Donated graphic design and photography services with an estimated fair value of $8,800, were provided by a close relative of the Executive Director.

Donated accounting services with an estimated fair value of $875, were provided by the Treasurer of the Organization.

## (8) Future accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires recognition of rights and obligations from lease contracts longer than one year as assets and liabilities on the balance sheet. During 2021, the effective date for this new standard as extended and the standard is effective for the Organization on January 1, 2022. The Organization is evaluating the effect that ASU No. 2016-02 will have on its financial statements and related disclosures.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The standard modifies and increases the presentation and disclosure requirements for donated facilities, materials, supplies and services (contributed nonfinancial assets). The new standard is effective for the Organization January 1, 2022. The Organization is evaluating the effect that ASU No. 2020-07 will have on its financial statements and related disclosures.

**(8) Future accounting pronouncements (continued)**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which modifies how expected credit losses on financial instruments are developed. In November 2018, the FASB issued ASU No. 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses (Topic 326)* which provides amendments to ASU No. 2016-13 and defers the effective date to years beginning after December 15, 2021. The new standards are effective for The Organization January 1, 2022. the Organization is evaluating the effect that ASU No. 2016-13 and ASU No 2018-19 will have on its financial statements and related disclosures.

## SUPPLEMENTARY INFORMATION

# FOSTER ARIZONA
SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF FINANCIAL POSTION

December 31, 2021

| | Foster Arizona | Foster Arizona Housing Project | Eliminations | Consolidated |
|---|---|---|---|---|
| | **ASSETS** | | | |
| ASSETS | | | | |
| Cash | $ 178,190 | $ 10,427 | $ - | $ 188,617 |
| Contributions receivable, net | 12,690 | 6,619 | - | 19,309 |
| Rent receivable from FAHP | 15,000 | - | (15,000) | - |
| Prepaid expenses and other assets | 3,621 | - | - | 3,621 |
| Total Current Assets | 209,501 | 17,046 | (15,000) | 211,547 |
| PROPERTY AND EQUIPMENT,net | 1,137,096 | - | - | 1,137,096 |
| TOTAL ASSETS | $ 1,346,597 | $ 17,046 | $ (15,000) | $ 1,348,643 |

| | Foster Arizona | Foster Arizona Housing Project | Eliminations | Consolidated |
|---|---|---|---|---|
| | **LIABILITIES AND NET ASSETS** | | | |
| LIABILITIES | | | | |
| Accounts payable | $ - | $ 750 | $ - | $ 750 |
| Accrued expenses | 6,475 | - | - | 6,475 |
| Rent payable to FA | - | 15,000 | (15,000) | - |
| Long-term debt, current portion | 27,669 | - | - | 27,669 |
| Total Current Liabilities | 34,144 | 15,750 | (15,000) | 34,894 |
| LONG-TERM DEBT, net of current portion | 740,192 | - | - | 740,192 |
| TOTAL LIABILITIES | 774,336 | 15,750 | (15,000) | 775,086 |
| NET ASSETS | | | | |
| Net assets without donor restrictions | 559,571 | (5,323) | - | 554,248 |
| Net assets with donor restrictions | 12,690 | 6,619 | - | 19,309 |
| TOTAL NET ASSETS | 572,261 | 1,296 | - | 573,557 |
| TOTAL LIABILITIES AND NET ASSETS | $ 1,346,597 | $ 17,046 | $ (15,000) | $ 1,348,643 |

*See Independent Auditor's Report*

# FOSTER ARIZONA

SUPPLEMENTARY INFORMATION

CONSOLIDATING SCHEDULE OF ACTIVITIES

December 31, 2021

| | Foster Arizona | Foster Arizona Housing Project | Eliminations | Consolidated |
|---|---|---|---|---|
| SUPPORT AND REVENUE | | | | |
| Contributions and grants | $ 289,940 | $ 25,503 | $ - | $ 315,443 |
| Participant fees and registrations | 14,130 | 24,029 | - | 38,159 |
| Donated materials and services | 100,966 | - | - | 100,966 |
| Merchandise sales | 477 | - | - | 477 |
| Rental revenue from FAHP | 42,000 | - | (42,000) | - |
| Other income | 1 | 14 | - | 15 |
| Support and revenue before special events | 447,514 | 49,546 | (42,000) | 455,060 |
| Special event revenue: | | | | |
| Special event income | 34,630 | - | - | 34,630 |
| Auction revenue | 25,810 | - | - | 25,810 |
| Direct donor benefits | (8,873) | - | - | (8,873) |
| Net special event revenue | 51,567 | - | - | 51,567 |
| TOTAL SUPPORT AND REVENUE | 499,081 | 49,546 | (42,000) | 506,627 |
| EXPENSES | | | | |
| Program services | 279,341 | 52,611 | (42,000) | 289,952 |
| Supporting services: | | | | |
| Management and general | 19,201 | 777 | - | 19,978 |
| Fundraising | 40,632 | 10,108 | - | 50,740 |
| Total supporting services | 59,833 | 10,885 | - | 70,718 |
| TOTAL EXPENSES | 339,174 | 63,496 | (42,000) | 360,670 |
| CHANGE IN NET ASSETS | 159,907 | (13,950) | - | 145,957 |
| NET ASSETS, BEGINNING OF YEAR | 412,354 | 15,246 | - | 427,600 |
| NET ASSETS, END OF YEAR | $ 572,261 | $ 1,296 | $ - | $ 573,557 |

*See Independent Auditor's Report*