Duet Partners in Health & Aging, Inc.
Financial Statements
for the Year Ended December 31, 2019

Duet Partners in Health & Aging, Inc.

Financial Statements
Year Ended December 31, 2019

DUET PARTNERS IN HEALTH & AGING, INC.
YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Duet Partners in Health & Aging, Inc.

Report on Financial Statements

We have audited the accompanying financial statements of Duet Partners in Health & Aging, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2019, 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 the Organization as of December 31, 2019, 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 the 2018 financial statements of the Organization, and our report dated August 8, 2019, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Phoenix, Arizona
September 16, 2020

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019	2018
Assets		
Cash and cash equivalents	$ 291,818	$ 645,991
Investments	345,720	272,803
Contributions receivable, net	543,207	835,223
Government grants receivable	73,137	33,800
Prepaid expenses	23,230	38,770
Other current assets	9,516	9,516
Property and equipment, net	248,600	306,846
Total assets	$ 1,535,228	$ 2,142,949
Liabilities		
Accounts payable	$ 6,254	$ 9,232
Accrued payroll	102,127	140,325
Deferred rent	201,960	227,350
Total liabilities	310,341	376,907
Net assets		
Without donor restrictions:		
Undesignated	156,433	39,843
Designated by the Board	94,946	831
With donor restrictions:		
Time restricted	514,357	736,565
Purpose restricted	292,951	822,603
Perpetual in nature	166,200	166,200
Total net assets	1,224,887	1,766,042
Total liabilities and net assets	$ 1,535,228	$ 2,142,949

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	Totals 2019	Totals 2018
Revenue, support, and gains:				
Contributions	$ 388,178	$ 152,877	$ 541,055	$ 1,713,760
Contributions - in kind	5,980		5,980	3,313
Workshops and resource sales	14,268		14,268	30,824
Government grants	261,944		261,944	259,604
Special events	160,223		160,223	252,987
Less: Direct donor benefit	(27,950)		(27,950)	(33,483)
Investment return, net	33,423	33,723	67,146	(6,188)
Net assets released from restrictions	815,050	(815,050)		
Total revenue, support, and gains	1,651,116	(628,450)	1,022,666	2,220,817
Expenses and losses:				
Program services				
Homebound adults	423,825		423,825	488,060
Family caregivers	291,554		291,554	303,114
Congregational health training	161,908		161,908	132,134
Grandparents raising grandchildren	251,978		251,978	264,143
Total program expenses	1,129,265		1,129,265	1,187,451
Supporting services				
Management and general	272,506		272,506	329,790
Fundraising	162,050		162,050	198,658
Total supporting services	434,556		434,556	528,448
Total expenses and losses	1,563,821		1,563,821	1,715,899
Change in net assets	87,295	(628,450)	(541,155)	504,918
Net assets, beginning of year, as reclassified (See Note 6)	164,084	1,601,958	1,766,042	1,261,124
Net assets, end of year	$ 251,379	$ 973,508	$ 1,224,887	$ 1,766,042

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	Program Services					Supporting Services		Totals	
	Homebound Adults	Family Caregivers	Congregational Health Training	Grandparents Raising Grandchildren	Total	Management and General	Fundraising	2019	2018
Salaries and wages	$ 261,312	$ 156,391	$ 76,815	$ 126,669	$ 621,187	$ 166,814	$ 80,661	$ 868,662	$ 1,015,937
Payroll taxes and employee related expenses	52,232	31,235	15,271	25,335	124,073	33,318	16,138	173,529	187,191
Professional fees	15,757	22,798	4,607	20,396	63,558	10,212	18,583	92,353	47,726
Postage and supplies	1,847	9,434	8,051	2,095	21,427	5,703	3,410	30,540	34,531
Program costs		7,009		37,043	44,052			44,052	43,405
Travel	1,071	2,549	19	2,394	6,033	1,022	504	7,559	12,765
Computer parts and service	36	8	11	8	63	2,065	1,017	3,145	6,253
Volunteer expenses	3,009				3,009			3,009	17,488
Office rent	28,520	17,055	8,338	13,834	67,747	18,192	8,811	94,750	95,033
Equipment rent and maintenance	1,920	1,053	929	619	4,521	1,121	552	6,194	11,941
Insurance	11,591	2,287	1,118	1,855	16,851	2,439	1,181	20,471	20,308
Advertising	1,148		15	13	1,176	2,262	1,114	4,552	35,769
Continuing education and training	243	2,560	27,814	485	31,102	314	154	31,570	14,382
Dues and fees	2,835	1,219	750	1,043	5,847	1,219	590	7,656	5,094
Telephone	4,536	2,713	1,326	2,200	10,775	2,894	1,402	15,071	14,603
Videoseries and grandparents book		5,618			5,618			5,618	8,975
Printing and duplication	4,687	9,999	7,384	2,415	24,485	1,347	1,877	27,709	29,557
Partner appreciation	1,520	538	263	436	2,757	574	278	3,609	9,183
Banking and payroll fees	3,532	2,112	1,032	1,713	8,389	2,253	1,091	11,733	10,534
Meetings and special events							40,630	40,630	
Other	9,655	6,721	3,151	5,107	24,634	9,818	6,709	41,161	68,669
Depreciation	18,374	10,255	5,014	8,318	41,961	10,939	5,298	58,198	60,038
Total expenses	$ 423,825	$ 291,554	$ 161,908	$ 251,978	$ 1,129,265	$ 272,506	$ 190,000	$ 1,591,771	$ 1,749,382
Less expenses included with revenue on the Statement of Activities									
Cost of direct donor benefits							27,950	27,950	33,483
Total expenses included on the expense section of the Statement of Activities	$ 423,825	$ 291,554	$ 161,908	$ 251,978	$ 1,129,265	$ 272,506	$ 162,050	$ 1,563,821	$ 1,715,899

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2018)

	2019	2018
Cash flows from operating activities:		
Change in net assets	$ (541,155)	$ 504,918
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:		
Depreciation	58,198	60,038
Net (gain)/loss on investments	(62,917)	6,188
Changes in assets and liabilities:		
Contributions receivable	292,016	(551,743)
Government grants receivable	(39,337)	57,188
Prepaid expenses	15,540	(2,699)
Other current assets		(9,516)
Accounts payable	(2,978)	(16,547)
Accrued payroll	(38,198)	(21,143)
Deferred rent	(25,390)	26,489
Net cash provided by/used for operating activities	(344,221)	53,173
Cash flows from investing activities:		
Proceeds from sale of investments	140,000	400,000
Purchases of investments	(150,000)	
Purchase of property and equipment	(692)	(18,743)
Disposals of property and equipment	740	
Net cash provided by/used for investing activities	(9,952)	381,257
Net increase/decrease in cash and cash equivalents	(354,173)	434,430
Cash and cash equivalents, beginning of year	645,991	211,561
Cash and cash equivalents, end of year	$ 291,818	$ 645,991

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Duet Partners in Health & Aging, Inc. (the Organization) is an Arizona nonprofit organization that promotes health and well-being through vitality needed services to homebound adults, family caregivers, faith communities and grandfamilies. The Organization partners with volunteers, congregations, and donors to provide one-on-one services at no charge throughout the greater Phoenix, Arizona area. The Organization's primary source of revenue is from private contributions.

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 liabilities.

Basis of Presentation

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. The Governing Board has designated, from net assets without donor restrictions, net assets for an operating reserve and board designated endowment.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset 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, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments at fair value. Net investment income return is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment expense.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents and investments. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. There was no uninsured cash at year end. To minimize risk, cash accounts are maintained at high quality financial institutions and credit exposure is limited to any one institution. The Organization's investments do not represent significant concentrations of market risk inasmuch as the Organization's investment portfolio is adequately diversified among issuers.

Revenue Recognition

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

Government grant revenue. Government grant revenue is comprised of contract revenue and fee for services revenue provided by local governmental and other granting agencies that have passed through governmental awards to the Organization. The Organization recognizes governmental grant revenue as earned when services are rendered or contractual obligations are met under the grant contract. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the contract.

Special events revenue. The Organization records special events revenue when the event takes place.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions Receivable

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in periods greater than one year are recorded at net present value of expected cash flows. Management does not believe an allowance for uncollectible amounts is necessary based on historical experience with donors, and accordingly has made no allowance for doubtful accounts.

Government Grants Receivable

Government grants receivable are stated at the amount management expects to collect from outstanding balances. Management does not believe an allowance for doubtful accounts is necessary based on historical experience with grantors, and accordingly has made no allowance for doubtful accounts.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of $500 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three to 20 years. Depreciation expense was $58,198 and $60,038 for the years ended December 31, 2019 and 2018, respectively.

The Organization reviews long-lived assets 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 net 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 amount 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 does not believe impairment indicators are present.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Deferred Rent

The Organization has entered into operating lease agreements for its facilities, some of which contain provisions for future rent increases. The Organization records monthly rent expense equal to the total of the payments due over the lease term, divided by the number of months of the lease term. The difference between rent expense recorded and the amount paid is credited or charged to deferred rent, which is reflected in a separate line item in the accompanying Statement of Financial Position.

Compensated Absences

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees.

Donated Services and In-Kind Contributions

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions 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 increases in net assets with donor restrictions. 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. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers contribute significant amounts of time to the Organization's program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and wages	Time and effort
Payroll taxes and employee related expenses	Time and effort
Professional fees	Time and effort
Office rent	Time and effort
Printing and duplication	Time and effort
Depreciation	Time and effort

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs were $4,552, and $35,769 for the years ended December 31, 2019 and 2018, respectively.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization's Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

New Accounting Pronouncement

During the fiscal year, the Organization adopted Accounting Standards Update (ASU) 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Analysis of the provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at fiscal year end:

Financial assets at year end:	
Cash and cash equivalents	$ 291,818
Contributions receivable	543,207
Government grants receivable	73,137
Investments	345,720
Total financial assets	1,253,882
Less amounts not available to be used within one year:	
Net assets with donor restrictions	973,508
Less: Net assets with purpose restrictions to be met in less than a year	(201,000)
Less: Net assets with time restrictions to be met in less than a year	(222,620)
Quasi-endowment established by the Board	94,946
Financial assets available to meet general expenditures over the next twelve months	$ 609,048

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization's goal is generally to maintain an operating reserve to meet four months of operating expenses. As part of its liquidity plan, excess cash is invested in short-term investments. The Organization has a quasi-endowment that was established according to Board policy. Although, the quasi-endowment has a spending rate of six percent, amounts from the quasi-endowment could be made available if necessary.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is defined as the price that the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Accounting standards establish a three-tier fair value hierarchy that prioritizes the inputs to valuation techniques. Inputs refer broadly to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Observable inputs are those that reflect the assumptions that market participants would use in pricing the asset and are based on market data obtained from independent sources. Unobservable inputs reflect the Organization's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1: Quoted prices in active markets for identical investments.

Level 2: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

The level of fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at year end are as follows:

	2019		
	Fair Value (Level 1)	Fair Value (Level 2)	Total
Cash and Cash Equivalents			
Cash and Bank Sweep	$ 7,942	$	$ 7,942
Investments			
U.S. Equity Exchange Traded Fund	139,895		139,895
Foreign Equity Exchange Traded Fund	69,578		69,578
Real Estate Investment Trust Exchange Traded Fund	32,384		32,384
U.S. Bond Exchange Traded Fund	89,948		89,948
Real Estate Investment Trust Shares		5,973	5,973
Total assets	$ 339,747	$ 5,973	$ 345,720

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

	2018		
	Fair Value (Level 1)	Fair Value (Level 2)	Total
Cash and Cash Equivalents			
Cash and Bank Sweep	$ 5,598	$	$ 5,598
Investments			
U.S. Equity Exchange Traded Fund	100,062		100,062
Foreign Equity Exchange Traded Fund	50,592		50,592
Real Estate Investment Trust Exchange Traded Fund	27,442		27,442
U.S. Bond Exchange Traded Fund	83,136		83,136
Real Estate Investment Trust Shares		5,973	5,973
Total assets	$ 266,830	$ 5,973	$ 272,803

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value.

Investments – Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels during the current fiscal year.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following:

	2019	2018
Contributions receivable before unamortized discount	$ 589,450	$ 879,534
Less: Unamortized discount	(46,243)	(44,311)
Total	543,207	835,223
Less: Allowance for uncollectibles		
Net contributions receivable	$ 543,207	$ 835,223
Amounts due in:		
Less than one year	$ 251,470	$ 360,434
More than one year	337,980	519,100
Total	$ 589,450	$ 879,534

The discount rate used to determine the present value of contributions receivable is commensurate with the risks involved and ranged from 2.00 percent to 3.01 percent in years ended December 31, 2019 and 2018, respectively.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the Statement of Financial Position. The Organization was awarded cost-reimbursable grants of $116,703 that have not been recognized at fiscal year end because qualifying expenditures have not yet been incurred.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

	2019	2018
Leasehold improvements	$ 193,248	$ 193,248
Equipment	305,365	389,990
Total property and equipment	498,613	583,238
Less: Accumulated depreciation and amortization	(250,013)	(276,392)
Net property and equipment	$ 248,600	$ 306,846

NOTE 6 - ENDOWMENTS

The Organization's endowment includes both donor-restricted funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State of Arizona's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gifts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 6 – ENDOWMENTS

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purpose of the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. The investment policies of the organization

Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2019 consists of the following:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$	$ 166,200	$ 166,200
Accumulated investment gains		78,601	78,601
Board-designated endowment funds	94,946		94,946
Total funds	$ 94,946	$ 244,801	$ 339,747

Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2018 consists of the following:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds:			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$	$ 166,200	$ 166,200
Accumulated investment gains		168,288	168,288
Board-designated endowment funds	831		831
Total funds	$ 831	$ 334,488	$ 335,319

NOTE 6 – ENDOWMENTS

Investment Return Objectives, Risk Parameters and Strategies

The Organization has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of six percent, while growing the funds if possible. Therefore, the Organization expects its endowment assets, over time, to produce an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy

The Organization has a policy of appropriating for distribution each year six percent of its year-end balance. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment fund, which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. This is consistent with the Organization’s objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. The Organization's adopted policy also allows endowment funds to be removed from its investment accounts and reclassified, with the provision that permanently restricted funds will not be spent.

Changes in Endowment Net Assets for the year ended December 31, 2019 are as follows:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 831	$ 334,488	$ 335,319
Amounts reclassified during the year	64,921	(123,410)	(58,489)
Investment return, net	29,194	33,723	62,917
Appropriation of endowment assets for expenditure			
Endowment net assets, end of year	$ 94,946	$ 244,801	$ 339,747

During the fiscal year 2019, the Organization performed a thorough analysis of endowment assets and determined that reclassifications were necessary to properly account for endowment earnings in previous years.

NOTE 6 – ENDOWMENTS

Changes in Endowment Net Assets for the year ended December 31, 2018 are as follows:

	2018		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 382,039	$ 359,469	$ 741,508
Investment return, net	(6,208)	19	(6,189)
Amounts appropriated for expenditure	(375,000)	(25,000)	(400,000)
Endowment net assets, end of year	$ 831	$ 334,488	$ 335,319

NOTE 7 – NET ASSETS

Net assets with donor restrictions are as follows:

	2019	2018
Endowments		
Subject to appropriation	$ 78,601	$ 168,288
Perpetual in nature	166,200	166,200
Passage of Time		
Pledges receivable	514,357	736,565
Purpose Restricted		
Homebound adults	36,000	60,000
Family caregivers	75,000	254,315
Grandparents raising grandchildren	103,350	270,000
Congregational health training		70,000
Total	$ 973,508	$ 1,725,368

Net assets released from donor restrictions are as follows:

	2019	2018
Satisfaction of purpose restrictions		
Subject to appropriation	$	$ 25,000
Homebound adults	132,168	98,000
Family caregivers	136,165	229,435
Grandparents raising grandchildren	235,016	98,000
Congregational health training	71,666	11,800
Fundraising	5,000	
Satisfaction of time restrictions		
Pledges receivable	235,035	73,790
Total	$ 815,050	$ 536,025

NOTE 8 – OPERATING LEASE COMMITMENTS

The Organization leases office space under a noncancelable operating lease expiring in 2025. Total rent expense incurred under operating leases totaled $94,750 and $95,033 for the years ended December 31, 2019 and 2018, respectively.

The following is a schedule by years of future minimum rental payments under the lease at year end:

Year End:			
	2020	$	124,659
	2021		129,179
	2022		133,698
	2023		135,581
	2024		135,581
	Thereafter		56,492
Total		$	715,190

NOTE 9 – EMPLOYEE BENEFIT PLANS

Tax-deferred Annuity Plan

The Organization participated in a tax-deferred annuity plan through the United Church of Christ that qualifies under Section 403(b) of the Internal Revenue Code. On August 1, 2019, the Organization closed the 403(b) plan and opened a 401(k) plan with another entity. The plan covers full-time employees of the Organization. The Organization contributes 1.5 percent of gross salaries to the plan for qualified employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The employer matching was $13,461 and $19,980 for the years ending December 31, 2019 and 2018, respectively.

NOTE 10 – SUBSEQUENT EVENT

Subsequent events have been evaluated through September 16, 2020, which is the date the financial statements were available to be issued.

In March 2020, a global pandemic was announced due to the novel coronavirus (COVID-19). The Organization applied for and received a loan under the Paycheck Protection Program created as part of the relief efforts in response to COVID-19. The loan is administered by the Small Business Administration. The loan was entered into on May 5, 2020 for a total of $212,500 with an interest rate of one percent. Payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness up to 100 percent of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the federal government.

Future impacts to the Organization's financial position as a result of the ongoing pandemic are unknown. Possible impacts may include, but are not limited to, a decrease in contributions and volunteers.