Duet Partners in Health & Aging, Inc.
Financial Statements
for the Year Ended December 31, 2021

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Financial Statements
Year Ended December 31, 2021

DUET PARTNERS IN HEALTH & AGING, INC.
YEAR ENDED DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on Audit of Financial Statements

Opinion
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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Duet Partners in Health & Aging, Inc. 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
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Duet Partners in Health & Aging, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the Organization'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
Our 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 our 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.

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

- 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 the Organization’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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information
We have previously audited the Duet Partners in Health & Aging, Inc.’s 2020 financial statements, and our report dated May 20, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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.
Scottsdale, Arizona
May 18, 2022

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Assets		
Cash and cash equivalents	$ 287,797	$ 359,203
Investments	1,267,033	692,351
Contributions receivable, net	619,990	567,676
Government grants receivable	53,794	61,657
Prepaid expenses	26,053	28,765
Other current assets	9,516	9,516
Property and equipment, net	145,685	197,143
Total assets	$ 2,409,868	$ 1,916,311
Liabilities		
Accounts payable	$ 8,431	$ 10,586
Accrued payroll	63,063	73,099
Deferred rent	137,623	172,051
Total liabilities	209,117	255,736
Net assets		
Without donor restrictions:		
Undesignated	319,839	407,162
Designated by the Board	1,015,454	440,797
With donor restrictions:		
Time restricted	516,026	534,535
Purpose restricted	183,232	111,881
Perpetual in nature	166,200	166,200
Total net assets	2,200,751	1,660,575
Total liabilities and net assets	$ 2,409,868	$ 1,916,311

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals 2021	Totals 2020
Revenue, support, and gains:				
Contributions	$ 1,285,134	$ 500,050	$ 1,785,184	$ 1,194,608
Contributions - in kind				20,151
Workshops and resource sales	13,897		13,897	1,863
Government grants	318,105		318,105	263,468
PPP loan forgiveness				212,500
Special events	125,115		125,115	154,217
Less: Direct donor benefit	(31,596)		(31,596)	(39,420)
Investment return, net	75,046	25	75,071	45,346
Net assets released from restrictions	447,233	(447,233)		
Total revenue, support, and gains	2,232,934	52,842	2,285,776	1,852,733
Expenses and losses:				
Program services				
Homebound adults	369,096		369,096	354,084
Family caregivers	303,515		303,515	205,375
Congregational health training	101,206		101,206	92,960
Grandparents raising grandchildren	280,309		280,309	206,918
Total program expenses	1,054,126		1,054,126	859,337
Supporting services				
Management and general	345,680		345,680	308,032
Fundraising	345,794		345,794	249,676
Total supporting services	691,474		691,474	557,708
Total expenses and losses	1,745,600		1,745,600	1,417,045
Change in net assets	487,334	52,842	540,176	435,688
Net assets, beginning of year	847,959	812,616	1,660,575	1,224,887
Net assets, end of year	$ 1,335,293	$ 865,458	$ 2,200,751	$ 1,660,575

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	Program Services					Supporting Services		Totals	
	Homebound Adults	Family Caregivers	Congregational Health Training	Grandparents Raising Grandchildren	Total	Management and General	Fundraising	2021	2020
Salaries and wages	$ 233,202	$ 175,408	$ 57,867	$ 164,619	$ 631,096	$ 147,164	$ 187,300	$ 965,560	$ 841,421
Payroll taxes and employee related expenses	40,781	17,097	6,538	27,185	91,601	35,234	45,866	172,701	165,319
Professional fees	29,341	55,964	7,483	24,482	117,270	37,879	65,898	221,047	89,082
Postage and supplies	5,496	2,579	1,327	2,967	12,369	7,620	2,751	22,740	19,717
Program costs		6,159	1,516	26,175	33,850			33,850	22,743
Travel	598	218			816	202		1,018	1,952
Computer parts and service	1,031	3,275	88	259	4,653	4,663	118	9,434	5,061
Volunteer expenses	1,137				1,137			1,137	950
Office rent	22,836	16,003	10,850	13,975	63,664	23,818	11,973	99,455	95,243
Equipment rent and maintenance	911	879	588	1,355	3,733	1,400	700	5,833	6,481
Insurance	9,872	2,930	2,033	1,617	16,452	3,305	1,860	21,617	20,664
Advertising	290	431	36	162	919	6,043	792	7,754	5,158
Continuing education and training		69	150	250	469	803		1,272	1,947
Dues and fees	1,368	964	530	703	3,565	4,209	989	8,763	8,228
Telephone	3,726	3,109	1,725	2,455	11,015	4,038	1,881	16,934	16,223
Printing and duplication	3,010	5,623	1,440	1,832	11,905	4,639	8,246	24,790	25,021
Partner appreciation	120				120	1,299		1,419	11,427
Banking and payroll fees	987	687	472	601	2,747	9,101	805	12,653	10,616
Meetings and special events							35,887	35,887	22,679
Other	2,555	3,887	2,903	4,468	13,813	41,913	6,149	61,875	35,076
Depreciation	11,835	8,233	5,660	7,204	32,932	12,350	6,175	51,457	51,457
Total expenses	$ 369,096	$ 303,515	$ 101,206	$ 280,309	$ 1,054,126	$ 345,680	$ 377,390	$ 1,777,196	$ 1,456,465
Less expenses included with revenue on the Statement of Activities									
Cost of direct donor benefits							31,596	31,596	39,420
Total expenses included on the expense section of the Statement of Activities	$ 369,096	$ 303,515	$ 101,206	$ 280,309	$ 1,054,126	$ 345,680	$ 345,794	$ 1,745,600	$ 1,417,045

See accompanying notes to financial statements.

DUET PARTNERS IN HEALTH & AGING, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	$ 540,176	$ 435,688
Adjustments to reconcile change in net assets to net cash provided by/used for operating activities:		
Depreciation	51,457	51,457
Net (gain)/loss on investments	(74,682)	(44,631)
Changes in assets and liabilities:		
Contributions receivable	(52,314)	(24,469)
Government grants receivable	7,863	11,480
Prepaid expenses	2,713	(5,535)
Accounts payable	(2,155)	4,332
Accrued payroll	(10,036)	(29,028)
Deferred rent	(34,428)	(29,909)
Net cash provided by/used for operating activities	428,594	369,385
Cash flows from investing activities:		
Proceeds from sale of investments		245,580
Purchases of investments	(500,000)	(547,580)
Net cash provided by/used for investing activities	(500,000)	(302,000)
Net increase/decrease in cash and cash equivalents	(71,406)	67,385
Cash and cash equivalents, beginning of year	359,203	291,818
Cash and cash equivalents, end of year	$ 287,797	$ 359,203

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 Board of Directors has designated, from net assets without donor restrictions, net assets for a 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, 2020, 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. All government grants receivable are due within one year.

Property and Equipment

All acquisitions of property and equipment with a cost in excess of $1,500 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 $51,457 in each of the years ended December 31, 2021 and 2020.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 $7,754, and $5,158 for the years ended December 31, 2021 and 2020, respectively.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Management has evaluated the tax positions taken or expected to be taken, if any, on its exempt organization filings, and the likelihood that upon examination those positions would be sustained. Based on the results of this evaluation, management believes there are no uncertain tax positions.

Recent Accounting Pronouncements Issued Not Yet Effective

In February 2016, the FASB issued ASU Update 2016-02, *Leases (Topic 842)*. The ASU will require entities to recognize assets and liabilities for both capital and operating leases with lease terms of more than 12 months on the Statement of Financial Position. This ASU is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the effect that this pronouncement will have on its financial statements and related disclosures.

Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 18, 2022, which is the date the financial statements were available to be issued.

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	$ 287,797
Investments	1,267,033
Contributions receivable	619,990
Government grants receivable	53,794
Total financial assets	2,228,614
Less amounts not available to be used within one year:	
Net assets with donor restrictions	865,458
Less: Net assets with purpose restrictions to be met in less than a year	(103,826)
Less: Net assets with time restrictions to be met in less than a year	(315,435)
Quasi-endowment established by the Board	1,015,454
Financial assets available to meet general expenditures over the next twelve months	$ 766,963

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 up to 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:

	2021		
	Fair Value (Level 1)	Fair Value (Level 2)	Total
Investments			
Cash and Bank Sweep	$ 272,222	$	$ 272,222
U.S. Equity Exchange Traded Fund	408,275		408,275
Foreign Equity Exchange Traded Fund	193,515		193,515
Real Estate Investment Trust Exchange Traded Fund	107,425		107,425
U.S. Bond Exchange Traded Fund	279,623		279,623
Real Estate Investment Trust Shares		5,973	5,973
Total investments	$ 1,261,060	$ 5,973	$ 1,267,033

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

	2020		
	Fair Value (Level 1)	Fair Value (Level 2)	Total
Investments			
Cash and Bank Sweep	$ 316,933	$	$ 316,933
U.S. Equity Exchange Traded Fund	166,417		166,417
Foreign Equity Exchange Traded Fund	79,394		79,394
Real Estate Investment Trust Exchange Traded Fund	29,641		29,641
U.S. Bond Exchange Traded Fund	93,993		93,993
Real Estate Investment Trust Shares		5,973	5,973
Total investments	$ 686,378	$ 5,973	$ 692,351

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.

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable consist of the following:

	2021	2020
Pledges receivable before unamortized discount	$ 622,793	$ 602,081
Less: Unamortized discount	(2,803)	(34,405)
Total	619,990	567,676
Less: Allowance for uncollectibles		
Net contributions receivable	619,990	567,676
Amounts due in:		
Less than one year	344,399	342,947
More than one year	278,394	259,134
Total	$ 622,793	$ 602,081

The discount rate used to determine the present value of contributions receivable is commensurate with the risks involved and ranged from 0.43 percent to .583 percent in years ended December 31, 2021 and 2020, 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 $308,765 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.

	2021	2020
Leasehold improvements	$ 193,248	$ 193,248
Equipment	196,131	305,365
Total property and equipment	389,379	498,613
Less: Accumulated depreciation and amortization	(243,694)	(301,470)
Net property and equipment	$ 145,685	$ 197,143

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, 2021 consists of the following:

	2021		
	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		79,406	79,406
Board-designated endowment funds	1,015,454		1,015,454
Total funds	$ 1,015,454	$ 245,606	$ 1,261,060

Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2020 consists of the following:

	2020		
	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		79,381	79,381
Board-designated endowment funds	440,797		440,797
Total funds	$ 440,797	$ 245,581	$ 686,378

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 up to 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 up to 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. In both the years ended December 31, 2021 and 2020, the Organization did not appropriate any distributions from endowments.

Changes in Endowment Net Assets for the year ended December 31, 2021 are as follows:

	2021		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 440,797	$ 245,581	$ 686,378
Contributions	500,000		500,000
Investment income – dividends and interest	74,657	25	74,682
Endowment net assets, end of year	$ 1,015,454	$ 245,606	$ 1,261,060

NOTE 6 – ENDOWMENTS

Changes in Endowment Net Assets for the year ended December 31, 2020 are as follows:

	2020		
	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 94,946	$ 244,801	$ 339,747
Contributions	302,000		302,000
Investment return, net	43,851	780	44,631
Endowment net assets, end of year	$ 440,797	$ 245,581	$ 686,378

NOTE 7 – NET ASSETS

Net assets with donor restrictions are as follows:

	2021	2020
Endowments		
Subject to appropriation	$ 79,406	$ 79,381
Perpetual in nature	166,200	166,200
Passage of Time		
Pledges receivable	516,026	534,535
Purpose Restricted		
COVID-19		4,192
Family caregivers (M&H coordinator, Spanish translation)	60,445	20,500
Grandfamily services (bilingual social worker)	26,338	7,808
Outreach Coordinator Staffing	17,043	
Total	$ 865,458	$ 812,616

NOTE 7 – NET ASSETS

Net assets released from donor restrictions are as follows:

	2021	2020
Satisfaction of purpose restrictions		
COVID-19	$ 4,192	$
Homebound adults		70,150
Family caregivers (M&H coordinator, Spanish translation)	60,863	129,266
Grandfamily services (bilingual social worker)	10,662	
Outreach Coordinator Staffing	12,957	
Congregational health training		35,000
Satisfaction of time restrictions		
Pledges receivable	358,559	206,896
Total	$ 447,233	$ 569,662

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 $99,455 and $95,243 for the years ended December 31, 2021 and 2020, respectively.

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

Year End:		
	2022	$ 134,898
	2023	136,781
	2024	136,781
	2025	56,992
Total		$ 465,452

NOTE 9 – EMPLOYEE BENEFIT PLANS

<u>Tax-deferred Annuity Plan</u>

The Organization sponsors a 401(k) retirement plan (plan) for all employees who meet eligibility requirements. 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 $9,285 and $10,953 for the years ending December 31, 2021 and 2020, respectively.

NOTE 10 – CONCENTRATIONS

For the year ended December 31, 2021, one donor made up 32 percent of total revenues, and two donors made up 62 percent of total receivables.

For the year ended December 31, 2020, two donors made up 64 percent of total receivables.