# Duet Partners in Health & Aging, Inc.
# Financial Statements
## for the Year Ended December 31, 2023

# Duet Partners in Health & Aging, Inc.

Financial Statements
Year Ended December 31, 2023

**Duet Partners in Health & Aging, Inc.**

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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, 2023, 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, 2023, 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 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 2022 financial statements, and our report dated June 27, 2023, 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, 2022, 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
June 27, 2024

**Duet Partners in Health & Aging, Inc.**
**Statement of Financial Position**
**December 31, 2023**
**(With Comparative Totals for the Year Ended December 31, 2022)**

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 406,396 | $ 676,428 |
| Investments | 872,645 | 971,973 |
| Contributions receivable, net | 276,807 | 284,248 |
| Government grants receivable | 56,724 | 76,418 |
| Prepaid expenses | 38,087 | 23,112 |
| Other current assets | 9,516 | 9,516 |
| Property and equipment, net | 72,529 | 97,293 |
| Operating lease right of use asset | 727,987 | 835,291 |
| Total assets | $ 2,460,691 | $ 2,974,279 |
| **Liabilities** | | |
| Accounts payable | $ 24,130 | $ 8,380 |
| Accrued payroll | 72,834 | 71,760 |
| Refundable advance | | 32,704 |
| Operating lease liability | 834,264 | 958,181 |
| Total liabilities | 931,228 | 1,071,025 |
| **Net assets** | | |
| Without donor restrictions: | | |
| Undesignated | 60,295 | 436,250 |
| Designated by the Board | 619,605 | 720,036 |
| With donor restrictions: | | |
| Time restricted | 200,587 | 241,204 |
| Purpose restricted | 482,776 | 339,564 |
| Perpetual in nature | 166,200 | 166,200 |
| Total net assets | 1,529,463 | 1,903,254 |
| Total liabilities and net assets | $ 2,460,691 | $ 2,974,279 |

See accompanying notes to financial statements.

**Duet Partners in Health & Aging, Inc.**
**Statement of Activities**
**For the Year Ended December 31, 2023**
**(With Comparative Totals for the Year Ended December 31, 2022)**

| | | | Totals | |
|---|---|---|---|---|
| **Revenue, support, and gains:** | Without Donor Restrictions | With Donor Restrictions | 2023 | 2022 |
| Contributions | $ 716,633 | $ 544,770 | $ 1,261,403 | $ 1,067,396 |
| Contributions - in kind | 78,594 | | 78,594 | 11,615 |
| Workshops and resource sales | 14,376 | | 14,376 | 11,071 |
| Government grants | 556,549 | | 556,549 | 559,024 |
| Employer retention tax credit | | | | 444,150 |
| Special events | 60,892 | | 60,892 | |
| Less: Direct donor benefit | (24,884) | | (24,884) | |
| Investment return, net | 78,668 | 1,103 | 79,771 | (144,297) |
| Net assets released from restrictions | 443,278 | (443,278) | | |
| Total revenue, support, and gains | 1,924,106 | 102,595 | 2,026,701 | 1,948,959 |
| | | | | |
| **Expenses and losses:** | | | | |
| Program services | | | | |
| Meaning and hope | 536,076 | | 536,076 | |
| Homebound adults | 387,936 | | 387,936 | 357,982 |
| Family caregivers | 433,026 | | 433,026 | 438,420 |
| Congregational health training | | | | 72,599 |
| Grandparents raising grandchildren | 395,720 | | 395,720 | 350,824 |
| Total program expenses | 1,752,758 | | 1,752,758 | 1,219,825 |
| | | | | |
| Supporting services | | | | |
| Management and general | 377,502 | | 377,502 | 487,337 |
| Fundraising | 270,232 | | 270,232 | 539,294 |
| Total supporting services | 647,734 | | 647,734 | 1,026,631 |
| | | | | |
| Total expenses and losses | 2,400,492 | | 2,400,492 | 2,246,456 |
| | | | | |
| **Change in net assets** | (476,386) | 102,595 | (373,791) | (297,497) |
| | | | | |
| **Net assets, beginning of year** | 1,156,286 | 746,968 | 1,903,254 | 2,200,751 |
| | | | | |
| **Net assets, end of year** | $ 679,900 | $ 849,563 | $ 1,529,463 | $ 1,903,254 |

See accompanying notes to financial statements.

**Duet Partners in Health & Aging, Inc.**
**Statement of Functional Expenses**
**For the Year Ended December 31, 2023**
**(With Comparative Totals for the Year Ended December 31, 2022)**

| | Program Services | | | | | Supporting Services | | Totals | |
|---|---|---|---|---|---|---|---|---|---|
| | Meaning and Hope | Homebound Adults | Family Caregivers | Grandparents Raising Grandchildren | Total | Management and General | Fundraising | 2023 | 2022 |
| Salaries and wages | $ 291,607 | $ 226,274 | $ 258,555 | $ 201,165 | $ 977,601 | $ 172,781 | $ 99,802 | $ 1,250,184 | $ 1,062,551 |
| Payroll taxes and employee related expenses | 41,903 | 38,401 | 40,381 | 49,993 | 170,678 | 47,220 | 15,295 | 233,193 | 192,778 |
| Professional fees | 105,577 | 15,516 | 12,774 | 17,144 | 151,011 | 56,743 | 60,053 | 267,807 | 322,599 |
| Postage and supplies | 2,300 | 17,631 | 21,118 | 24,754 | 65,803 | 4,374 | 1,818 | 71,995 | 30,160 |
| Program costs | 1,289 | | 2,050 | 52,924 | 56,263 | | | 56,263 | 59,917 |
| Travel | 2,775 | 835 | 1,674 | 2,080 | 7,364 | 1,541 | | 8,905 | 7,353 |
| Computer parts and service | 13,662 | 19,395 | 9,520 | 4,166 | 46,743 | 17,528 | 6,112 | 70,383 | 19,250 |
| Volunteer expenses | | 168 | | | 168 | 3,479 | | 3,647 | 156 |
| Office lease | 19,862 | 24,827 | 23,586 | 16,138 | 84,413 | 26,069 | 13,655 | 124,137 | 123,928 |
| Equipment lease and maintenance | 930 | 1,163 | 1,105 | 756 | 3,954 | 1,221 | 640 | 5,815 | 5,279 |
| Insurance | 3,656 | 9,527 | 4,376 | 3,001 | 20,560 | 4,965 | 2,540 | 28,065 | 20,723 |
| Advertising | 30,171 | 11,492 | 33,255 | 11,297 | 86,215 | 6,295 | 3,963 | 96,473 | 9,910 |
| Continuing education and training | 7,271 | 941 | 1,116 | 627 | 9,955 | 3,814 | 530 | 14,299 | 1,636 |
| Dues and fees | 2,524 | 2,275 | 1,990 | 1,116 | 7,905 | 5,364 | 982 | 14,251 | 10,466 |
| Telephone | 2,378 | 3,213 | 2,824 | 1,932 | 10,347 | 3,428 | 1,635 | 15,410 | 14,044 |
| Printing and duplication | 2,032 | 3,016 | 2,583 | 2,041 | 9,672 | 2,500 | 5,194 | 17,366 | 28,804 |
| Partner appreciation | 133 | 1,943 | | | 2,076 | 2,055 | | 4,131 | 28,519 |
| Banking and payroll fees | 631 | 690 | 656 | 449 | 2,426 | 5,194 | 514 | 8,134 | 10,089 |
| Meetings and special events | | | 7,434 | | 7,434 | | 37,590 | 45,024 | |
| Other | 2,200 | 4,161 | 1,884 | 1,933 | 10,178 | 6,139 | 17,666 | 33,983 | 65,933 |
| Bad debt expense | | | | | | | 23,569 | 23,569 | 183,969 |
| Depreciation | 5,175 | 6,468 | 6,145 | 4,204 | 21,992 | 6,792 | 3,558 | 32,342 | 48,392 |
| Total expenses | $ 536,076 | $ 387,936 | $ 433,026 | $ 395,720 | $ 1,752,758 | $ 377,502 | $ 295,116 | $ 2,425,376 | $ 2,246,456 |
| Less expenses included with revenue on the Statement of Activities | | | | | | | | | |
| Cost of direct donor benefits | | | | | | | 24,884 | 24,884 | |
| Total expenses included on the expense section of the Statement of Activities | $ 536,076 | $ 387,936 | $ 433,026 | $ 395,720 | $ 1,752,758 | $ 377,502 | $ 270,232 | $ 2,400,492 | $ 2,246,456 |

See accompanying notes to financial statements.

**Duet Partners in Health & Aging, Inc.**
**Statement of Cash Flows**
**For the Year Ended December 31, 2023**
**(With Comparative Totals for the Year Ended December 31, 2022)**

| | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Change in net assets | $ (373,791) | $ (297,497) |
| Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities: | | |
| Depreciation | 32,342 | 48,392 |
| Net (gain)/loss on investments | (57,284) | 163,011 |
| Changes in assets and liabilities: | | |
| Contributions receivable | 7,441 | 335,742 |
| Government grants receivable | 19,694 | (22,624) |
| Prepaid expenses | (14,975) | 2,941 |
| Accounts payable | 15,750 | (51) |
| Accrued payroll | 1,074 | 8,697 |
| Deferred rent | | (137,623) |
| Refundable advance | (32,704) | 32,704 |
| Operating lease assets and liabilities | (16,613) | 122,890 |
| **Net cash provided by/(used for) operating activities** | (419,066) | 256,582 |
| **Cash flows from investing activities:** | | |
| Proceeds from sale of investments | 175,000 | 491,218 |
| Purchases of investments | (18,388) | (359,169) |
| Purchase of property and equipment | (7,578) | |
| **Net cash provided by/(used for) investing activities** | 149,034 | 132,049 |
| **Net increase/(decrease) in cash and cash equivalents** | (270,032) | 388,631 |
| **Cash and cash equivalents, beginning of year** | 676,428 | 287,797 |
| **Cash and cash equivalents, end of year** | $ 406,396 | $ 676,428 |

**Supplemental disclosure of cash flow information**

| | 2023 | 2022 |
|---|---|---|
| Cash paid during the year for amounts included in the measurement of leases | $ 137,914 | $ 102,381 |

See accompanying notes to financial statements.

**Duet Partners in Health & Aging, Inc.**
**Notes to Financial Statements**
**December 31, 2023**

## 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, 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, whereby 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, 2022, 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. At year end, the carrying amount of the Organization's deposits were $406,396 and the bank balance was $369,805. 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.

## Note 1 - Summary of Significant Accounting Policies

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

**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. Balances that are determined to be noncollectable are written off to bad debt expense. Management believes all noncollectable amounts have been expensed as of year end and does not believe an allowance for uncollectible amounts is necessary, 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 $32,342 in the year ended December 31, 2023 and $48,392 in the year ended December 31, 2022.

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

### 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.

### Leases

The Organization determines if an arrangement is or contains a lease at inception. All leases are recorded on the statement of financial position except for leases with an initial term less than 12 months. Leased assets and obligations are recognized based on the present value of future lease payments over the lease term. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

Operating lease right-of-use assets (ROU) include adjustments related to lease payments made and lease incentives received at or before the commencement date. The assets resulting from operating leases are included in right-of-use assets and the related liabilities are included in operating leases payable on the statement of financial position.

Operating lease expense is recognized on a straight-line basis over the lease term. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

### 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.

## Note 1 - Summary of Significant Accounting Policies

### 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. Expenses that benefit more than one function are allocated based on the amount of time spent by employees on each function.

### 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 $96,473 and $9,910 for the years ended December 31, 2023 and 2022, 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.

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.

### Date of Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 27, 2024, 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 year end:

| | |
|---|---|
| Financial assets at year end: | |
| Cash and cash equivalents | $ 406,396 |
| Investments | 872,645 |
| Contributions receivable | 276,807 |
| Government grants receivable | 56,724 |
| Total financial assets | 1,612,572 |
| | |
| Less amounts not available to be used within one year: | |
| Net assets with donor restrictions | 849,563 |
| Less: Net assets with purpose restrictions to be met in less than a year | (401,909) |
| Less: Net assets with time restrictions to be met in less than a year | (80,925) |
| Quasi-endowment established by the Board | 619,605 |
| Financial assets available to meet general expenditures over the next twelve months | $ 626,238 |

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.

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.

## Note 3 – Investments and Fair Value Measurements

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:

| | 2023 | | |
|---|---|---|---|
| | Fair Value (Level 1) | Fair Value (Level 2) | Total |
| Investments | | | |
| Cash and Bank Sweep | $ 263,764 | $ | $ 263,764 |
| U.S. Equity Index Exchange Traded Fund | 150,826 | | 150,826 |
| Foreign Equity Index Exchange Traded Fund | 60,182 | | 60,182 |
| Real Estate US Equity Index Exchange Traded Fund | 42,678 | | 42,678 |
| U.S. Bond Index Exchange Traded Fund | 349,222 | | 349,222 |
| Real Estate Investment Trust Shares | | 5,973 | 5,973 |
| Total investments | $ 866,672 | $ 5,973 | $ 872,645 |

**Duet Partners in Health & Aging, Inc.**
**Notes to Financial Statements**
**December 31, 2023**

## Note 3 – Investments and Fair Value Measurements

| | 2022 | | |
|---|---|---|---|
| | Fair Value (Level 1) | Fair Value (Level 2) | Total |
| Investments | | | |
| Cash and Bank Sweep | $ 269,491 | $ | $ 269,491 |
| U.S. Equity Exchange Traded Fund | 128,288 | | 128,288 |
| Foreign Equity Exchange Traded Fund | 119,896 | | 119,896 |
| Real Estate Investment Trust Exchange Traded Fund | 39,838 | | 39,838 |
| U.S. Bond Exchange Traded Fund | 408,487 | | 408,487 |
| Real Estate Investment Trust Shares | | 5,973 | 5,973 |
| Total investments | $ 966,000 | $ 5,973 | $ 971,973 |

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:

| | 2023 | 2022 |
|---|---|---|
| Pledges receivable before unamortized discount | $ 290,855 | $ 291,586 |
| Less: Unamortized discount | (14,048) | (7,338) |
| Total | 276,807 | 284,248 |
| Less: Allowance for uncollectibles | | |
| Net contributions receivable | 276,807 | 284,248 |
| | | |
| Amounts due in: | | |
| Less than one year | 157,145 | 219,541 |
| More than one year | 133,710 | 72,045 |
| Total | $ 290,855 | $ 291,586 |

The discount rate used to determine the present value of contributions receivable is commensurate with the risks involved and ranged from 6.04 percent to 5.48 percent in years ended December 31, 2023 and 2022, 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 $266,316 that have not been recognized at year end because qualifying expenditures have not yet been incurred.

## Note 5 – Property and Equipment

Property and equipment consist of the following.

| | 2023 | 2022 |
|---|---|---|
| Leasehold improvements | $ 193,248 | $ 193,248 |
| Equipment | 203,709 | 196,131 |
| Total property and equipment | 396,957 | 389,379 |
| Less: Accumulated depreciation and amortization | (324,428) | (292,086) |
| Net property and equipment | $ 72,529 | $ 97,293 |

## 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, 2023 consists of the following:

| | 2023 | | |
|---|---|---|---|
| | 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 | | 80,867 | 80,867 |
| Board-designated endowment funds | 619,605 | | 619,605 |
| Total funds | $ 619,605 | $ 247,067 | $ 866,672 |

Endowment Net Asset Composition by Type of Fund for the year ended December 31, 2022 consists of the following:

| | 2022 | | |
|---|---|---|---|
| | 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 | | 79,764 | 79,764 |
| Board-designated endowment funds | 720,036 | | 720,036 |
| Total funds | $ 720,036 | $ 245,964 | $ 966,000 |

## 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.

Changes in Endowment Net Assets for the year ended December 31, 2023 are as follows:

| | 2023 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment net assets, beginning of year | $ 720,036 | $ 245,964 | $ 966,000 |
| Investment return, net | 74,569 | 1,103 | 75,672 |
| Amounts appropriated for expenditure | (175,000) | | (175,000) |
| Endowment net assets, end of year | $ 619,605 | 247,067 | $ 866,672 |

## Note 6 – Endowments

Changes in Endowment Net Assets for the year ended December 31, 2022 are as follows:

| | 2022 | | |
|---|---|---|---|
| | Without Donor Restriction | With Donor Restriction | Total |
| Endowment net assets, beginning of year | $ 1,015,454 | $ 245,606 | $ 1,261,060 |
| Investment return, net | (145,418) | 358 | (145,060) |
| Amounts appropriated for expenditure | (150,000) | | (150,000) |
| Endowment net assets, end of year | $ 720,036 | $ 245,964 | $ 966,000 |

## Note 7 – Net Assets

Net assets with donor restrictions are as follows:

| | 2023 | 2022 |
|---|---|---|
| Endowments | | |
| Subject to appropriation | $ 80,867 | $ 79,764 |
| Perpetual in nature | 166,200 | 166,200 |
| Passage of Time | | |
| Pledges receivable | 200,587 | 241,204 |
| Purpose Restricted | | |
| Family caregivers (M&H coordinator, Spanish translation) | 99,280 | 235,000 |
| Grandfamily services (bilingual social worker) | 133,109 | 2,300 |
| Finding Meaning and Hope | 149,520 | |
| Outreach Coordinator Staffing | 20,000 | 22,500 |
| Total | $ 849,563 | $ 746,968 |

Net assets released from donor restrictions are as follows:

| | 2023 | 2022 |
|---|---|---|
| Satisfaction of purpose restrictions | | |
| Family caregivers (M&H coordinator, Spanish translation) | $ 190,480 | $ 60,645 |
| Grandfamily services (bilingual social worker) | | 26,338 |
| Outreach Coordinator Staffing | 39,191 | 24,543 |
| Satisfaction of time restrictions | 22,500 | |
| Pledges receivable | 191,107 | 334,844 |
| Total | $ 443,278 | $ 446,370 |

## Note 8 – Leases

The Organization leases an office building and desk phones under noncancelable operating leases. The lease for desk phones expires in October 2026 and does not include any options to extend. The lease for the office building has an initial term of 7.5 years and includes the option to renew for two separate 5 year terms. The Organization has only recognized one of the 5 year renewal terms in the right-of-use asset and lease liabilities resulting in an expiration date of May 2030. Both leases had terms of greater than one year at the inception of the lease and payments are due on a monthly basis.

The Organization has not included the possibility of early termination in the calculation of the right-of-use asset and lease liabilities since the Organization does not intend to terminate the lease before the expiration of the term. The Organization has also determined that there were no nonlease components to be allocated to the leases. In determining the value of the right-of-use asset and lease liabilities, future lease payments were discounted applying the risk-free discount rate of 1.55%. Total operating lease expense for the year included $121,300 recognized straight-line over the term of the leases.

The following table summarizes the right of use assets and related accumulated amortization:

| | |
|---|---|
| Right of use asset | $ 1,079,770 |
| Accumulated amortization | (351,783) |
| | $ 727,987 |

The following table provides a schedule of future lease payments and other supplemental information for the Organization's operating leases as of year end:

| | |
|---|---|
| Year End: | |
| 2024 | $ 137,913 |
| 2025 | 137,914 |
| 2026 | 137,719 |
| 2027 | 135,581 |
| 2028 | 135,581 |
| Thereafter | 192,073 |
| Total | 876,781 |
| Less: Discount to present value | 42,517 |
| Present value of lease liabilities | $ 834,264 |
| Weighted average remaining lease term | 76.67 months |
| Weighted average discount rate | 1.55% |

**Note 9 – In-kind Contributions**

The Organization received the following contributions of nonfinancial assets during the year:

| Program or Supporting Service | Volunteer Appreciation | Advertising | Gift Drives | Total |
|---|---|---|---|---|
| Family caregivers program | $ | $ 20,100 | $ | $ 20,100 |
| Grandparents raising grandchildren program | | 42,811 | 12,205 | 55,016 |
| Management and general | 3,478 | | | 3,478 |
| Total | $ 3,478 | $ 62,911 | $ 12,205 | $ 78,594 |

In-kind contributions are recognized at fair value based on current retail rates for similar items.

**Note 10 – Employee Benefit Plans**

Tax-deferred Annuity Plan

The Organization sponsors a 401(k) retirement plan (plan) for all employees who meet eligibility requirements. The Organization contributes 2 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 $13,216 and $11,519 for the years ending December 31, 2023 and 2022, respectively.

**Note 11 – Concentrations**

For the year ended December 31, 2023, one donor made up 12 percent of total revenues, and two donors made up 35 percent of total receivables.

For the year ended December 31, 2022, one donor made up 23 percent of total revenues, and two donors made up 33 percent of total receivables.