TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

REGIER CARR & MONROE, LLP, CPAs

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

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INDEPENDENT AUDITOR's REPORT

Board of Directors
Tu Nidito Children and Family Services, Inc.
Tucson, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Tu Nidito Children and Family Services, Inc., which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Tu Nidito Children and Family Services, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Tu Nidito Children and Family Services, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Tu Nidito Children and Family Services, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

(continued)

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 GAAS 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 GAAS, 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 Tu Nidito Children and Family Services, Inc.‘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 Tu Nidito Children and Family Services, Inc.‘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.

Regier Carr & Monroe, L.L.P.

July 24, 2023
Tucson, Arizona

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,071,776	$ 1,794,839
Short-term investments, non-negotiable certificates of deposit	438,120	435,343
Short-term investments, negotiable certificates of deposit	139,395	-
Accounts receivable	21,931	26,046
Prepaid expenses and other current assets	22,499	26,740
Total current assets	1,693,721	2,282,968
PROPERTY AND EQUIPMENT, NET	680,113	711,240
OTHER ASSETS		
Long-term investments, negotiable certificates of deposit	240,000	-
Securities	1,631,434	1,369,287
Beneficial interest in assets held by others	439,734	360,425
Right of use assets	11,184	-
Total investments	2,322,352	1,729,712
Total assets	$ 4,696,186	$ 4,723,920

The Notes to Financial Statements are an integral part of these statement.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 13,534	$ 6,385
Deferred revenue	5,077	-
Accrued wages and vacation	30,875	11,734
Current lease liabilities	3,782	-
Total current liabilities	53,268	18,119
LONG-TERM LIABILITIES		
Lease liabilities, net of current portion	7,402	-
Total liabilities	60,670	18,119
NET ASSETS		
Without donor restrictions		
Available for operations	3,407,970	3,340,654
Investment in property and equipment	691,297	711,240
Total net assets without donor restrictions	4,099,267	4,051,894
With donor restrictions	536,249	653,907
Total net assets	4,635,516	4,705,801
Total liabilities and net assets	$ 4,696,186	$ 4,723,920

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Revenues and other support			
Special events including $7,992 of in-kind revenues	$ 249,710	$ -	$ 249,710
Less: costs of direct donor benefits	(62,618)	-	(62,618)
Net special events revenue	187,092	-	187,092
Contributions	398,826	19,750	418,576
Foundation and private grants	237,217	103,775	340,992
Donated materials and services	5,505	-	5,505
Investment loss	(193,676)	(34,260)	(227,936)
Interest and dividend income	28,929	-	28,929
Net assets released from restrictions	206,923	(206,923)	-
Total support and revenue	870,816	(117,658)	753,158
EXPENSES			
Program/activity expenses			
Program services	741,806	-	741,806
General and administrative	28,740	-	28,740
Fundraising	52,897	-	52,897
Total functional expenses	823,443	-	823,443
Increase (decrease) in net assets	47,373	(117,658)	(70,285)
NET ASSETS, BEGINNING OF YEAR	4,051,894	653,907	4,705,801
NET ASSETS, END OF YEAR	$ 4,099,267	$ 536,249	$ 4,635,516

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Revenues and other support			
Special events including $3,005 of in-kind revenues	$ 166,276	$ -	$ 166,276
Less: costs of direct donor benefits	(15,088)	-	(15,088)
Net special events revenue	151,188	-	151,188
Contributions	481,711	20,726	502,437
Foundation and private grants	276,946	477,775	754,721
Donated materials and services	3,485	-	3,485
Paycheck Protection Program grant	128,557	-	128,557
Investment income	62,382	47,023	109,405
Interest and dividend income	37,399	-	37,399
Net assets released from restrictions	212,839	(212,839)	-
Total support and revenue	1,354,507	332,685	1,687,192
EXPENSES			
Program/activity expenses			
Program services	701,666	-	701,666
General and administrative	32,941	-	32,941
Fundraising	42,390	-	42,390
Total functional expenses	776,997	-	776,997
Increase in net assets	577,510	332,685	910,195
NET ASSETS, BEGINNING OF YEAR	3,474,384	321,222	3,795,606
NET ASSETS, END OF YEAR	$ 4,051,894	$ 653,907	$ 4,705,801

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2022

	Program Services										
	One on One	Young Adults	Community Impact	Children to Children	CPC	Other Services	Volunteer	Total Programs	General and Administrative	Fundraising	Total Expenses
Personnel											
Salaries	$ 88,595	$ 40,174	$ 48,421	$ 101,419	$ 20,167	$ 122,703	$ 68,854	$ 490,333	$ 18,996	$ 22,774	$ 532,103
Payroll taxes	6,585	2,986	3,599	7,538	1,499	9,121	5,118	36,446	1,412	1,693	39,551
Employee benefits	9,551	4,331	5,220	10,933	2,174	13,227	7,423	52,859	2,048	2,455	57,362
Total personnel expense	104,731	47,491	57,240	119,890	23,840	145,051	81,395	579,638	22,456	26,922	629,016
Professional services	5,758	2,611	3,147	6,591	1,311	7,973	4,475	31,866	1,235	1,480	34,581
Client support services	468	212	256	536	107	649	364	2,592	100	120	2,812
Communications	1,297	588	709	1,485	295	1,799	1,008	7,181	278	333	7,792
Donated material and services	770	349	421	882	175	1,067	598	4,262	165	198	4,625
Insurance	2,330	1,056	1,273	2,667	530	3,226	1,811	12,893	500	599	13,992
Other expenses	6,057	2,747	3,311	6,934	1,379	8,388	4,708	33,524	1,299	1,557	36,380
Occupancy	3,552	1,610	1,941	4,066	808	4,919	2,760	19,656	762	913	21,331
Supplies	508	231	278	582	116	703	395	2,813	109	131	3,053
Postage and printing	1,173	532	641	1,343	267	1,624	912	6,492	252	302	7,046
Repairs and maintenance	731	331	399	836	166	1,012	568	4,043	157	188	4,388
Special events	-	-	-	-	-	-	-	-	-	18,443	18,443
Total before depreciation	127,375	57,758	69,616	145,812	28,994	176,411	98,994	704,960	27,313	51,186	783,459
Depreciation	6,657	3,019	3,639	7,621	1,515	9,221	5,174	36,846	1,427	1,711	39,984
Total	$ 134,032	$ 60,777	$ 73,255	$ 153,433	$ 30,509	$ 185,632	$ 104,168	$ 741,806	$ 28,740	$ 52,897	$ 823,443

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	Program Services										
	One on One	Young Adults	Community Impact	Children to Children	CPC	Other Services	Volunteer	Total Programs	General and Administrative	Fundraising	Total Expenses
Personnel											
Salaries	$ 75,998	$ 36,708	$ 39,492	$ 92,200	$ 17,620	$ 172,652	$ 27,999	$ 462,669	$ 21,721	$ 21,923	$ 506,313
Payroll taxes	5,658	2,733	2,940	6,864	1,312	12,855	2,085	34,447	1,617	1,632	37,696
Employee benefits	8,572	4,140	4,455	10,400	1,987	19,475	3,158	52,187	2,450	2,473	57,110
Total personnel expense	90,228	43,581	46,887	109,464	20,919	204,982	33,242	549,303	25,788	26,028	601,119
Professional services	4,639	2,241	2,411	5,628	1,075	10,538	1,709	28,241	1,326	1,338	30,905
Client support services	429	207	223	521	100	976	158	2,614	123	124	2,861
Communications	1,179	570	613	1,431	273	2,679	434	7,179	337	340	7,856
Donated materials and services	523	253	272	634	121	1,187	193	3,183	149	151	3,483
Insurance	2,055	993	1,068	2,494	477	4,670	757	12,514	587	593	13,694
Other expenses	5,970	2,884	3,103	7,243	1,384	13,564	2,200	36,348	1,706	1,722	39,776
Occupancy	2,557	1,235	1,329	3,102	593	5,808	942	15,566	731	738	17,035
Supplies	396	191	206	480	92	897	146	2,408	113	114	2,635
Postage and printing	828	400	430	1,005	192	1,883	305	5,043	237	239	5,519
Repairs and maintenance	703	340	365	853	163	1,598	259	4,281	201	203	4,685
Special events	-	-	-	-	-	-	-	-	-	9,142	9,142
Total before depreciation	109,507	52,895	56,907	132,855	25,389	248,782	40,345	666,680	31,298	40,732	738,710
Depreciation	5,747	2,776	2,986	6,972	1,332	13,056	2,117	34,986	1,643	1,658	38,287
Total	$ 115,254	$ 55,671	$ 59,893	$ 139,827	$ 26,721	$ 261,838	$ 42,462	$ 701,666	$ 32,941	$ 42,390	$ 776,997

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in in net assets	$ (70,285)	$ 910,195
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation	39,984	38,287
Right of use assets - amortization	3,114	-
Net investment (income) loss	227,936	(109,405)
Accretion of operating lease liabilities	134	-
Paycheck Protection Program grant	-	(128,557)
(Increase) decrease in assets		
Accounts and grants receivable	4,115	52,970
Prepaid expenses and other assets	4,241	(2,404)
Increase (decrease) in liabilities		
Accounts payable	7,149	(2,624)
Accrued expenses and deferred revenue	24,218	(28,694)
Operating lease liabilities	(3,248)	-
Net cash provided by operating activities	237,358	729,768
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of certificates of deposit	(1,192,723)	(436,571)
Proceeds from redemption of certificates of deposit	810,551	434,946
Purchase of equipment	(8,857)	(25,164)
Purchase of investments	(779,793)	(818,429)
Proceeds from sale of investments	210,401	156,219
Net cash (used) by investing activities	(960,421)	(688,999)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	-	128,557
Net increase (decrease) in cash and cash equivalents	(723,063)	169,326
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,794,839	1,625,513
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,071,776	$ 1,794,839
SUPPLEMENTAL CASH FLOW INFORMATION		
Additions of operating leases	$ 14,298	$ -

The Notes to Financial Statements are an integral part of these statements.

TU NIDITO CHILDREN AND FAMILY SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Tu Nidito Children and Family Services, Inc. (the "Agency") is a nonprofit social service agency located in Tucson, Arizona. The Agency's primary funding comes from public contributions.

Included in the accompanying financial statements are programs and services that provide comfort, hope and support for children and families whose lives have been impacted by a serious medical condition or death. Through its array of support groups and individual services the Agency provides emotional, social, and educational tools to children and families and empowers them with strength and skills for navigating their grief in the present and future. The Agency and its highly skilled staff and trained volunteers serve Arizona's most vulnerable children and their families. In 2022, 350 families were directly supported, encompassing 665 children, 46 young adults, and 428 adults, and an additional 173 children and 2,113 adults participated in grief education or intervention within one or more of the Agency's non-competitive programs and services, as follows:

Children to Children Bereavement Support Groups

Ongoing support groups for children, teenagers and families who are grieving the death of a loved one. The Agency provides a safe place where grieving youth can share their loss experience in a caring, supportive environment. Support group curriculum provides skills and tools for healthy coping, strengthens communication and support systems, and integrates hope and joy into daily life while decreasing feelings of isolation. Children ages 3 1/2 through 18 years of age and their families meet twice per month. Groups and concurrent adult groups are facilitated by trained volunteers and coordinated by a staff member in English and Spanish.

Bereavement Support Group for Young Adults

An ongoing grief support program specifically designed for young adults ages 18 through 29. The group meets twice a month and is facilitated by trained volunteers and coordinated by staff. The group provides young adults with a safe and supportive place where they can grieve the death of a loved one and meet others experiencing similar circumstances and issues.

Opportunity Youth

Through a partnership with United Way and Metro Goodwill, and through funding from the Vitalist Foundation, Tu Nidito provides closed session, typically 8 to 10 weeks, bereavement support groups for Opportunity Youth - teens and young adults, 16-24 who have been involved in the Juvenile Justice System.

(continued)

1. **ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

One-on-One Support for Children with Serious Medical Conditions (Pathways)

Provision of intensive home, hospital and community-based support for children diagnosed with a serious medical condition. Services are designed to assist the seriously ill child, their siblings, and adult caregivers through the difficulty and stress of diagnosis, change in prognosis and course of treatment. Professional support specialists provide guidance and tools to assist each family member in the development of positive coping skills, communication tools and other helpful strategies while also ensuring that the adults are better prepared to meet their children's needs. Services are offered in English and Spanish.

Support for Families Experiencing the Death of Their Child (Angels By Your Side)

The Agency continues to stay with families in the event their child's serious medical condition progresses. The Agency's staff support specialists assist families in navigating the devastation of a failing prognosis and, when appropriate, offer age-specific support for the diagnosed child to work through the dying process. The Agency professionals remain present with the family into the most difficult time imaginable, including the death of their child, and continue to provide individualized one on one bereavement services to all interested family members for a minimum of 18 months. Expenses for this program are reported with other services in the accompanying statement of functional expenses.

Support Group for Children who Have a Parent with Cancer or Other Serious Medical Condition (CPC)

The Agency offers ongoing support groups for children and teenagers who have a parent diagnosed with cancer or other serious medical conditions. The Agency provides a safe place where children, teens and parents can share their experiences in a caring, supportive environment. Support group curriculum provides skills and tools for healthy coping, strengthens communication and support systems, and integrates hope and joy into daily life while decreasing feelings of isolation. Families meet twice a month to take part in age appropriate support and activities for children ages 3½ through 18 years of age. Concurrent support groups are offered for both the diagnosed parent and other parent or adult caregiver.

Community Impact/Education/Intervention

Recognizing that children and families coming to the Agency may not get the same type of grief support from their communities, the Agency trains teachers, counselors, and community agencies and individuals on children and grief and provides tools for ongoing support and understanding. The Agency support specialists are also available to support our community's children in response to crisis situations including the death of a student or faculty member through an in-depth intervention program.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Volunteer Program

Volunteers are the heart of the Agency. The Agency has more than 141 dedicated people who volunteer their time in different ways:

- Support group volunteers facilitate peer support groups for children, teens and adults whose lives have been impacted by serious illness or death. This group works with an assigned age group: "littles" ages 3½ through 7, "middles" ages 8 through 12, and "teens" ages 13 through 18 or adults to provide comfort and support through structured "talking circles" questions and activities.

- One-on-one volunteers assist the Agency's staff support specialists who are working with a family who has a child with a serious medical condition. A volunteer's role can include various facets from respite and companionship to shopping and home assistance.

- Special event volunteers assist with fundraising and community events. Individual requirements are dependent upon the assignment.

- Office volunteers assist in answering phones, managing the library, providing computer support, running errands, preparing materials and other duties associated with running an office. Individual requirements are dependent upon the assignment.

- The Agency is governed by a volunteer Board of Directors, entrusted with the authority to establish major policies and accountability for the Agency's actions, including fiscal responsibility. Membership on the Agency's Board is an opportunity to contribute skills, experiences, knowledge and wisdom to an organization carrying out a vital service to children and their families as they deal with serious medical conditions and death. Each Board member is elected to a three-year term and is accountable for established duties and responsibilities. Each Board member may serve additional terms as stated in the by-laws.

General and Administrative

General and administrative expense includes the functions of general administration necessary to maintain and operate personnel, accounting and legal services and board administration.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The financial statements of the Agency have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Investments

Investments in marketable equity securities with readily determinable values and all investments in debt securities are stated at fair market value.

Short-Term Investments

The Agency classifies certificates of deposit that have maturities of greater than three months but less than one year as short-term investments. Short-term certificates of deposit are carried at cost.

Investment Policy

The Agency invests in various instruments including insured certificates of deposits, savings accounts, other interest-bearing accounts, money market accounts, and certain debt and equity securities based on specific criteria prescribed in the Agency's Investment Policy. Deviation from the Investment Policy requires approval by the Board of Directors.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and Grant Receivables

Accounts are stated at cost less an allowance for doubtful accounts. Management has reviewed the balances in accounts and grants receivable and based on historical experience, management has determined that all accounts and grants receivable are collectible. Therefore, an allowance for doubtful accounts was not necessary at December 31, 2022 or 2021.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets or decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Purchased property and equipment are carried at cost. Donated property and equipment are recorded at the approximate fair value at the date of donation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The Agency capitalizes property and equipment with a cost in excess of $500 and a useful life greater than one year. Furniture and fixtures are being depreciated from five to ten years. Equipment is being depreciated from five to thirty-nine years. Buildings and improvements are being depreciated from seven to forty years. The cost of repairs and maintenance and all other equipment purchases are charged to expense in the year incurred.

Depreciation expense for the year ended December 31, 2022 was $39,984, and $38,287, for the year ended December 31, 2021.

Cash and Cash Equivalents

The Agency considers all cash and highly liquid investments with an original maturity of three months or less to be cash equivalents.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred. There was $2,191 of expense incurred for the year ended December 31, 2022, and no expense incurred for the year ended December 31, 2021.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates included in these financial statements are the fair value of investments and management's estimate of the useful lives of assets.

Revenue Recognition

The Agency records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

The Agency 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. There were no conditional contributions for the years ended December 31, 2022 and 2021.

Grants are generally recorded on a reimbursement basis, that is, when qualifying expenses are incurred by the Agency, both a receivable from the funder and revenue are recorded.

Donated Materials and Services

Donated goods and services are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.

- The services would typically need to be purchased if not donated.

It is the Agency's policy that gifts of tangible personal property and real estate that will not further the mission of the Agency will only be accepted upon approval of the Board of Directors. It is upon the Board of Director's discretion to determine if the contributed tangible personal property and real estate should be liquidated to cash.

Although the Agency utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Agency determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and lease liabilities are recorded at the lease commencement date. Lease liabilities are recognized at the present value of the contractual fixed lease payments. The Agency uses discount rates to determine the present value of future lease payments. The Agency has made the policy election to use a risk-free rate as the discount rate for all operating leases, based on the U.S. Daily Treasury Par Yield Curve rates for various time periods that approximate the lease term. The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Agency will exercise that option. ROU assets are recognized equal to lease liabilities, adjusted for prepaid lease payments, initial direct costs and lease incentives. Operating lease expense is recognized on a straight-line basis over the lease term, while variable lease payments are expensed as incurred.

As a practical expedient, the Agency has elected an accounting policy not to separate non-lease components from lease components and instead account as a single lease component. The Agency has also elected not to recognize ROU assets and lease liabilities for leases that, at the commencement date, are for twelve months or less. Refer to Note 7, Leases for additional information.

Functional Allocation of Expenses

The costs of providing the Agency's programs have been summarized on a functional basis in the statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on time and effort. General and administrative expense includes the functions of general administration necessary to maintain and operate personnel, accounting and legal services and board administration. Fundraising includes time, effort and supplies used to promote, encourage and secure financial support from donors, who include individuals, foundations and corporations.

Income Tax Status and Uncertain Tax Positions

The Agency is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and (viii), and has been determined to not be a private foundation under Sections 509(a)(1) and (3), respectively. The Agency is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Agency is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Agency has determined it is not subject to unrelated business income tax. The returns are subject to examination for three years (four years for Arizona).

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status and Uncertain Tax Positions (continued)

The Agency believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Agency would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Change in Accounting Principle - Leases

Effective January 1, 2022, the Agency adopted new guidance intended to improve financial reporting for leases. Under the new guidance, a lessee is required to recognize assets and liabilities for leases. Consistent with legacy US GAAP, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee will depend on the classification of the lease as financing or operating. However, unlike legacy US GAAP, which requires that only capital leases are recognized on the balance sheet, the new guidance requires that both operating and financing leases be recognized on the balance sheet. The Agency adopted this new standard using a modified retrospective method, applying the new guidance as of the beginning of the year of adoption, with a cumulative effect of initially applying the guidance recognized as an adjustment to retained earnings at January 1, 2022. Therefore, prior period information has not been restated. The Agency has elected the package of practical expedients, which among other things, allows historical lease classifications to be carried forward. The Company did not elect the hindsight practical expedient in determining lease term and impairment of an entity's Right of Use Assets ("ROU assets"). On January 1, 2022, the Agency recognized a lease liability and ROU asset of $14,298, related to office equipment and its alarm system. There was no cumulative-effect adjustment required to be booked to retained earnings upon transition. The adoption of this standard did not have a material impact on the income statement as compared to prior periods.

Change in Accounting Principle – Contributed Nonfinancial Assets Gifts-In-Kind

Effective January 1, 2022, the Agency retrospectively adopted provisions of Financial Accounting Standards Board Accounting Standards Update ("ASU") 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. This ASU requires organizations to disaggregate the contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets and modifies the disclosure requirements for contributed nonfinancial assets.

(continued)

2. PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2022 and 2021, consists of the following:

	2022	2021
Building and improvements	$ 869,861	$ 869,861
Land and improvements	155,740	155,740
Equipment	94,214	85,357
Furniture and fixtures	22,854	22,854
Total	1,142,669	1,133,812
Less accumulated depreciation	462,556	422,572
Total, net	$ 680,113	$ 711,240

3. INVESTMENTS

Investments consist of mutual funds, corporate bonds, other securities, and a beneficial interest in assets held by another and are presented in the financial statements at fair value. Fair values and unrealized appreciation (depreciation) at December 31, 2022 and 2021, are as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2022			
Mutual funds	$ 799,961	$ 719,679	$ (80,282)
Equities	424,313	505,885	81,572
Corporate and government bonds	438,888	405,870	(33,018)
Certificates of deposit, negotiable	380,000	379,395	(605)
Subtotal	2,043,162	2,010,829	(32,333)
Beneficial interest held by another	232,225	439,734	207,509
Total	$ 2,275,387	$ 2,450,563	$ 175,176

(continued)

3. **INVESTMENTS** (continued)

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
December 31, 2021			
Mutual funds	$ 577,155	$ 595,807	$ 18,652
Equities	307,930	442,882	134,952
Corporate and government bonds	329,311	330,598	1,287
Subtotal	1,214,396	1,369,287	154,891
Beneficial interest held by another	232,225	360,425	128,200
Total	$ 1,446,621	$ 1,729,712	$ 283,091

The net investment gains (losses) for the years ending December 31, 2022 and 2021 were $(227,936) and $109,405, respectively. The rate of return (loss) on the investments was approximately (13.82)% for 2022 and 15.32% for 2021.

4. ENDOWMENT

Endowment Investments Held and Managed by the Jewish Community Foundation

In 2016, the Agency entered into an agreement with the Jewish Community Foundation of Southern Arizona (the "JCF"), to establish an organization endowment fund (the "Fund") in support of the Agency's charitable operations. JCF, an Arizona nonprofit organization, holds and administers the Fund, including subsequent contributions and future earnings, for the benefit of the Agency. Principal and earnings of the Fund are restricted solely for the Agency's charitable purposes. The organization endowment fund agreement provides that JCF shall have the power to modify any restrictions or condition on the distribution of assets for any specified charitable purpose or to specified organizations, if, in their sole judgment, such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community or to the area served by JCF.

(continued)

4. ENDOWMENT (continued)

The Agency has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) through their endowment policy 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 Agency classifies as net assets with donor restrictions (a) the original fair value of gifts donated to the endowment, (b) the original fair value of subsequent gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the instructions of the applicable donor gift instrument at the time the accumulation is added to the fund. The earnings of the donor restricted endowment fund are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Agency in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Agency considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Agency, and (7) the Agency's investment policies. The Agency's donors have placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Agency has adopted an investment policy for its board designated endowment assets to support long term sustainability of the Agency. The policy's objective is to provide a source of cash flow for operations, program or unanticipated needs.

Designated endowment funds are invested in a pooled fund with the JCF. Fund distributions to charitable beneficiaries, including the Agency, shall be made from the net distributable income, consistent with the current spending policies, and at the reasonable discretion, of JCF. Distribution requests are initiated by the Agency's Board of Directors, upon review of annual endowment activity. Through the organization endowment agreement, JCF is granted the power to carry out the purpose of the Fund, and to manage the investments contained therein.

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that the donor or SPMIFA requires the Agency to retain as a fund of perpetual duration. In accordance with US GAAP, deficiencies of this nature are reported as net assets with donor restrictions. There were no such deficiencies as of December 31, 2022.

(continued)

4. ENDOWMENT (continued)

Changes in endowment net assets as of December 31, 2022, are as follows:

	Restricted for Specific Purpose	Perpetual In Nature	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 95,174	$ 265,251	$ 360,425
Contributions	-	117,576	117,576
Investment loss	(34,260)	-	(34,260)
Fees	(4,007)	-	(4,007)
Endowments net assets, end of year	$ 56,907	$ 382,827	$ 439,734

Changes in endowment net assets as of December 31, 2021, are as follows:

	Restricted for Specific Purpose	Perpetual In Nature	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 52,913	$ 244,525	$ 297,438
Contributions	-	20,726	20,726
Investment gain	47,023	-	47,023
Fees	(4,762)	-	(4,762)
Endowments net assets, end of year	$ 95,174	$ 265,251	$ 360,425

5. FAIR VALUE MEASUREMENTS

U.S. Generally Accepted Accounting Principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

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5. FAIR VALUE MEASUREMENTS (continued)

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Fair value measurements were reported based on the following:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Mutual funds	$ 719,679	$ 719,679	$ -	$ -
Equities	505,885	505,885	-	-
Bonds	405,870	405,870	-	-
Certificates of deposit, negotiable	379,395	-	379,395	-
Subtotal	2,010,829	1,631,434	-	-
Beneficial interest	439,734	-	439,734	-
Total	$ 2,450,563	$ 1,631,434	$ 819,129	$ -

(continued)

5. FAIR VALUE MEASUREMENTS (continued)

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2021				
Mutual funds	$ 595,807	$ 595,807	$ -	$ -
Equities	442,882	442,882	-	-
Bonds	330,598	330,598	-	-
Subtotal	1,369,287	1,369,287	-	-
Beneficial interest	360,425	-	360,425	-
Total	$ 1,729,712	$ 1,369,287	$ 360,425	$ -

6. PAYCHECK PROTECTION PROGRAM GRANT

On February 1, 2021, the Agency qualified for and received a loan pursuant to the Paycheck Protection Program (the "PPP"), a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender for an aggregate principal amount of $128,557. Under the terms of the agreement, the loan was unsecured, with interest at 1%. The Agency applied for forgiveness of the total loan amount by providing evidence that the loan proceeds were used to fund eligible costs, during either an 8- or 24-week period, and that additional criteria for forgiveness has been met.

During the year ended December 31, 2021, the Agency successfully applied for forgiveness of the loan. The Agency received forgiveness of $128,557, which was recorded as revenue for the year ended December 31, 2021.

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7. LEASES

After Implementation of ASU No. 2016-02, Leases (Topic 842)

Effective January 1, 2022 (the "implementation date"), the Agency adopted new guidance intended to improve financial reporting for leases. A lease is defined as a party obtaining the right to use an asset legally owned by another party. The Agency determines if an arrangement is a lease at inception. For operating leases entered into prior to January 1, 2022, the Right-of-Use ("ROU") assets and operating lease liabilities were recognized in the statement of financial position on the implementation date based on the present value of the remaining future minimum payments over the lease term from the implementation date. This ROU asset was adjusted for unamortized lease incentives and restructuring liabilities that existed on the implementation date. For leases entered into subsequent to January 1, 2022, the operating lease ROU asset and operating lease liabilities are based on the present value of minimum payments over the lease term at the commencement date of the lease.

The Agency uses discount rates to determine the present value of future lease payments. The Agency has made the policy election to use a risk-free rate as the discount rate for all operating leases, based on the U.S. Daily Treasury Par Yield Curve rates for various time periods that approximate the lease term. The lease terms used to calculate the ROU asset and lease liability may include options to extend or terminate when it is reasonably certain that the Agency will exercise that option.

The Agency leases office equipment under non-cancelable operating leases with varying expiration dates through November 2027. Leases are negotiated with third-parties and, in some instances contain renewal, expansion and termination options. None of the Agency's leases contain significant purchase options. All of the Agency's material leases are operating leases.

The following chart provides additional information about the Agency's office equipment leases for the year ended December 31, 2022:

Lease cost:	
Operating lease cost	$ 3,248
Other information:	
Operating cash outflows from operating leases	$ 3,248
Right of use assets obtained in exchange for new operating lease liabilities	$ 14,298
Weighted-average remaining lease term	2.71 years
Weighted-average discount rate	2.19%

(continued)

7. LEASES (continued)

Future minimum lease payments for the Agency's operating leases as of December 31, 2022 are as follows:

Year ending December 31,	
2023	$ 3,997
2024	3,709
2025	2,420
2026	816
2027	748
Total future lease payments	11,690
Less: Present value discount	(506)
Total	$ 11,184
Current lease liabilities	$ 3,782
Long-term lease liabilities	7,402
Total lease liabilities	$ 11,184

Note: Table excludes obligations for leases with original terms of 12 months or less which have not been recognized as a right to use asset or liability in the consolidated balance sheet.

Prior to ASU No. 2016-02, Leases (Topic 842)

The Agency leases office equipment under operating leases with varying expiration dates through September 2025. At December 31, 2021, the aggregate future minimum commitments under all non-cancelable operating lease agreements were as follows:

Year ending December 31,	
2022	$ 3,929
2023	3,180
2024	2,856
2025	2,061
Total	$ 12,026

Total lease expense was $4,157 for the year ended December 31, 2021.

(continued)

8. CONCENTRATIONS OF CREDIT RISK

Cash in Banks

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts held at banks up to $250,000 per institution. Investments held at other institutions are covered up to $500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC); however, SIPC does not protect against losses in market value. The Agency's investments are on deposit at a brokerage that provides additional insurance above SIPC limits. At December 31, 2022, the Agency had approximately $287,000 of cash and investments in excess of FDIC and SIPC limits.

Revenues

During 2022, the Agency received approximately 26% of its gross revenues from fundraising and special events (10% for the year ended December 31, 2021). The two largest fundraising events accounted for 26% of the Agency's total gross revenues for the year ended December 31, 2022 (10% for the year ended December 31, 2021).

9. EMPLOYEE BENEFIT PLAN

During 2018, the Agency adopted a SIMPLE IRA plan. Employees are generally eligible to participate in the plan if they received at least $5,000 in compensation during the plan year. Each year the Agency may elect to make a matching contribution up to 3% or non-elective contributions of 2% of employee compensation. During the years ended December 31, 2022 and 2021, the Agency contributed $10,062 and $3,896, respectively, to the plan.

10. NET ASSETS

Net assets with donor restriction activity was as follows for the year ended December 31, 2022:

	Beginning Balance	Contributions	Investment Gain (Loss)	Releases and Transfers	Ending Balance
Child & Family Services	$ 218,956	$ 103,775	$ (34,260)	$ (134,648)	$ 153,823
Connie Hillman Family Foundation challenge grant	169,700	-	-	(169,700)	-
In perpetuity endowment	265,251	19,750	-	97,425	382,426
Total	$ 653,907	$ 123,525	$ (34,260)	$ (206,923)	$ 536,249

(continued)

10. NET ASSETS (continued)

Net assets with donor restriction activity was as follows for the year ended December 31, 2021:

	Beginning Balance	Contributions	Investment Gain	Releases and Transfers	Ending Balance
Child & Family Services	$ 76,697	$ 127,775	$ 47,023	$ (32,539)	$ 218,956
Connie Hillman Family Foundation challenge grant	-	350,000	-	(180,300)	169,700
In perpetuity endowment	244,525	20,726	-	-	265,251
Total	$ 321,222	$ 498,501	$ 47,023	$ (212,839)	$ 653,907

11. AVAILABILITY AND LIQUIDITY

The following represents the Agency's financial assets at December 31, 2022 and 2021:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 1,071,776	$ 1,794,839
Certificates of deposit, non-negotiable	438,120	435,343
Certificates of deposit, negotiable	379,395	-
Securities	1,631,434	1,369,287
Beneficial interest in assets held by others	439,734	360,425
Accounts receivable	21,931	26,046
Total financial assets	3,982,390	3,985,940
Less amounts not available to be used within one year:		
Net assets with donor restrictions	153,823	388,656
Perpetual endowment	382,426	265,251
	536,249	653,907
Financial assets available to meet general expenditures over the next twelve months	$ 3,446,141	$ 3,332,033

(continued)

11. AVAILABILITY AND LIQUIDITY (continued)

The Agency's operating reserve policy is generally to maintain financial assets to meet 9 to 12 months of operating expenses (approximately $601,000 to $801,000). As part of its liquidity plan, when operational reserves exceed 12 months or 100% of the current fiscal year budget plus board approved spend down, the Agency will follow its short term investment policy. When these reserves exceed 24 months of the fiscal year budget plus board approved spend down, the Agency will follow its long term investment policy.

12. DONATED MATERIALS AND SERVICES

Contributed nonfinancial assets reflected in the Agency's financial statements for the years ended December 31, 2022 and 2021, consist of the following:

	2022	2021
Donated materials and service for special events	$ 7,992	$ 3,005
Other donated materials and services	5,505	3,485
Total contributed nonfinancial assets	$ 13,497	$ 6,490

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Valuations are provided by the donors based on comparable sales.

Donated materials and services for special events are comprised of items and services, such as donated auction items, that are used in relation to the Agency's Remarkable Celebration. These donations are used in the Agency's program services, general and administrative activities, and fundraising activities.

Other donated materials and services are miscellaneous items and services, such as computers and volunteer background checks, that the Agency received. These donations are used in the Agency's program services.

In addition, a substantial number of volunteers have made significant contributions of their time to various functions of the Agency. Board members also contribute a significant amount of time in financial, fundraising, and other activities. The value of these services does not meet the requirements for recognition in the financial statements. The Agency has determined it is not practical to estimate a fair value for these services.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 24, 2023, the date the financial statements were available to be issued.