GAP MINISTRIES, INC.

YEAR ENDED JUNE 30, 2020

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YEAR ENDED JUNE 30, 2020

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Independent Auditors' Report

Board of Trustees and Management
GAP Ministries, Inc.
Tucson, Arizona

We have audited the accompanying consolidated financial statements of GAP Ministries, Inc. (the Organization), which comprise the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GAP Ministries, Inc. as of June 30, 2020, 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.

BeachFleischman PC

Tucson, Arizona
October 29, 2020

GAP MINISTRIES, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS

Current assets:	
Cash and cash equivalents	$ 899,818
Accounts receivable, net	532,960
Inventory	25,000
Other current assets	89,528
Total current assets	1,547,306
Property and equipment, net	4,181,097
Total assets	$ 5,728,403

LIABILITIES AND NET ASSETS

Current liabilities:	
Current portion of long-term debt	$ 724,872
Accounts payable	51,836
Accrued expenses	190,150
Deferred revenue	236,505
Other current liabilities	8,075
Rent deferral, current portion	21,461
	1,232,899
Reclassified long-term liabilities:	
Long-term debt, net of current portion	2,478,025
Total current liabilities	3,710,924
Long-term rent deferral, net of current portion	19,334
Total liabilities	3,730,258
Commitments and contingencies	
Net assets:	
Without donor restrictions:	
Undesignated	969,842
Invested in property and equipment	978,200
Total without donor restrictions	1,948,042
With donor restrictions	50,103
Total net assets	1,998,145
Total liabilities and net assets	$ 5,728,403

See notes to financial consolidated statements.

GAP MINISTRIES, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without donor restrictions	With donor restrictions	Total
Revenues and support:			
Contract revenue	$ 4,795,710	$ -	$ 4,795,710
Contributions	1,724,322	40,000	1,764,322
In-kind contributions	777,189	-	777,189
Retail sales	240,606	-	240,606
Food program	166,944	-	166,944
Other	290,822	-	290,822
Net assets released from restrictions	110,281	(110,281)	-
	8,105,874	(70,281)	8,035,593
Discontinued operations	(70,262)	-	(70,262)
Gain on sale of assets	3,125	-	3,125
	(67,137)	-	(67,137)
Expenses:			
Program services:			
Splash	3,328,592	-	3,328,592
Boost	648,837	-	648,837
Kitchen	620,341	-	620,341
Visitation and Foster Care	836,642	-	836,642
QRTP	115,990	-	115,990
El Sol	81,442	-	81,442
Miracle Center	414,820	-	414,820
	6,046,664	-	6,046,664
General and administrative	820,192	-	820,192
Fundraising and development	250,267	-	250,267
	7,117,123	-	7,117,123
Change in net assets	921,614	(70,281)	851,333
Net assets, beginning	1,026,428	120,384	1,146,812
Net assets, ending	$ 1,948,042	$ 50,103	$ 1,998,145

See notes to financial consolidated statements.

GAP MINISTRIES, INC.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program services										
	Splash	Boost	Kitchen	Visitation and Foster Care	QRTP	El Sol	Miracle Center	Total program services	General and administrative	Fundraising and development	Total expenses
Salaries	$ 1,530,274	$ 80,183	$ 197,751	$ 440,380	$ 84,852	$ 11,104	$ 158,942	$ 2,503,486	$ 401,136	$ 165,161	$ 3,069,783
Payroll taxes and employee benefits	230,418	11,624	27,692	59,118	9,420	359	29,582	368,213	40,518	19,984	428,715
	1,760,692	91,807	225,443	499,498	94,272	11,463	188,524	2,871,699	441,654	185,145	3,498,498
Advertising	-	-	-	-	-	-	2,608	2,608	-	45,399	48,007
Bad debt	-	-	365	14,387	-	6,972	-	21,724	-	-	21,724
Bank fees	-	521	577	-	-	-	10,460	11,558	24,396	-	35,954
Clothes	10,773	-	-	-	-	-	-	10,773	-	-	10,773
Cost of Goods Sold	-	-	53,224	-	-	-	-	53,224	-	-	53,224
Depreciation	214,834	-	-	-	-	10,618	7,563	233,015	-	-	233,015
Food	403,674	253,377	222,009	-	-	-	5,578	884,638	-	-	884,638
Freight	1,895	10,300	-	-	-	-	-	12,195	-	-	12,195
Insurance	93,087	15,655	15,655	23,481	-	-	16,804	164,682	8,668	-	173,350
Interest	148,984	11,112	11,112	16,668	-	15,921	-	203,797	-	-	203,797
License and permits	-	-	-	-	-	-	-	-	24,731	-	24,731
Miscellaneous	16,884	5,904	3,296	2,796	18,814	-	4,709	52,403	28,971	9,616	90,990
Professional services	28,826	-	-	4,307	-	4,506	6,944	44,583	85,083	-	129,666
Program services	55,896	-	-	-	-	-	-	55,896	-	-	55,896
Rent	283,143	157,400	44,971	134,915	-	-	119,679	740,108	22,486	-	762,594
Recreation services	5,006	-	-	-	-	-	-	5,006	-	3,991	8,997
Repairs and maintenance	82,840	2,841	6,657	2,972	-	9,296	12,417	117,023	60,109	223	177,355
Supplies	22,666	1,709	22,880	646	926	-	3,889	52,716	9,759	3,858	66,333
Training	2,582	-	1,317	1,050	1,516	-	-	6,465	-	-	6,465
Travel	-	-	-	-	-	-	-	-	1,665	235	1,900
Utilities	136,411	1,150	3,104	67,462	-	22,666	22,680	253,473	97,053	1,800	352,326
Vehicle	60,399	97,061	9,731	68,460	462	-	12,965	249,078	15,617	-	264,695
	$ 3,328,592	$ 648,837	$ 620,341	$ 836,642	$ 115,990	$ 81,442	$ 414,820	$ 6,046,664	$ 820,192	$ 250,267	$ 7,117,123

GAP MINISTRIES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Change in net assets	$ 851,333
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	233,015
Bad debt	21,724
Gain on sale of assets	(3,125)
Accrued interest added to principal balance	4,211
Changes in operating assets and liabilities:	
Accounts receivable	34,603
Inventory	(4,000)
Other current assets	(8,178)
Accounts payable	(250,193)
Accrued expenses	(118,074)
Deferred revenue	236,505
Other current liabilities	(778)
Rent deferral	40,795
Net adjustments	186,505
Net cash provided by operating activities	1,037,838
Cash flows from investing activities:	
Proceeds from disposal of assets	3,125
Net cash provided by investing activities	3,125
Cash flows from financing activities:	
Principal payments on long-term debt	(139,389)
Borrowings on long-term debt	175,932
Principal payments on notes payable, related parties	(251,596)
Borrowings on note payable, related party	25,000
Net cash used in financing activities	(190,053)
Net increase in cash and cash equivalents	850,910
Cash and cash equivalents, beginning	48,908
Cash and cash equivalents, ending	$ 899,818

See notes to financial consolidated statements.

1. Description of organization and summary of significant accounting policies:

Organization:

The consolidated financial statements of GAP Ministries, Inc. (the Organization) are comprised of GAP Ministries, Inc. (GAP) and its three wholly owned subsidiaries El Sol Apartments, LLC (El Sol), GAP Garage, LLC (Garage), and Miracle Center (MC).

GAP was incorporated as a not-for-profit corporation in 1998, pursuant to the laws of Arizona. The purpose of the Organization is to fill the gap for those in need; to bring help to children, healing to families, and hope to the community. GAP operates and is supported primarily in Tucson, Arizona. GAP has the following programs:

Splash (Foster care) - operates foster care group homes, which provide shelter, meals, religious services and counseling to displaced youth in Tucson, Arizona. GAP provides foster care through ten group homes.

Boost - locally distributes donated goods for the care of the ill, needy, and youth. Boost serves to support community needs, develops innovative solutions to resolve unmet needs, and implements programs where other resources are not available. Through Boost, GAP receives donated goods for distribution in the community from Good360 TM, a national not-for-profit agency that redistributes donated goods it receives. GAP must maintain certain requirements to remain a Good360 approved distributor. Boost also receives a substantial amount of goods from Walmart.

Kitchen - provides meals to parents and children in need. This program also operates a community training kitchen offering a culinary arts certification program for individuals in vulnerable populations.

Visitation and Foster Care - provides visitation services for parents and children in foster care and management and licensing of foster parents.

Qualified Residential Treatment - to expand and improve the quality and accessibility of trauma-informed services to families with members in residential placement.

El Sol was organized in 2014 and owns an apartment complex to house older foster children. As a limited liability company, the member's liability is limited.

Garage was organized in 2017 to run a full service auto mechanic shop to service GAP's vehicles and be open to the public. During October 2019, the Organization permanently closed Garage and reported as discontinued operations. As a limited liability company, the member's liability is limited.

1. Description of organization and summary of significant accounting policies (continued):

Organization (continued):

In August 2018, GAP acquired MC, another Arizona not-for-profit organization that operates transitional housing and a thrift store, through GAP's board assuming MC's board. MC provides transitional housing for women, which is currently being operated out of one of the Splash houses.

Principles of consolidation:

The consolidated financial statements include all accounts of GAP, El Sol, Garage, and MC. All significant intercompany accounts and transactions have been eliminated.

Net assets:

Net assets, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor restrictions.

- Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates:

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Adoption of new accounting standard:

In June 2018, the FASB issued ASU No. 2018-08, "Not-for-Profit Entities (Topic 958)". The update clarifies the scope and accounting guidance for contributions received and contributions made. Effective July 1, 2019, the Organization adopted ASU 2018-08 utilizing the retrospective method. The Organization's revenue recognition practices for contributions under Topic 958 do not differ significantly from prior practices. Therefore, no changes were required to previously reported revenues as a result of the adoption and a retrospective analysis of account balance changes was not required.

1. Description of organization and summary of significant accounting policies (continued):

Revenues and support:

Contract revenue:

Revenues from governmental and other pass-through agency contracts are reported as exchange transactions based on the contract provisions. Revenues derived from contracts that are based on units of service and fees for service are recorded in the period in which the service is provided to eligible recipients. Revenues resulting from cost reimbursement contracts are recorded in the period in which allowable costs are incurred.

Advances received from governmental funding sources in excess of costs incurred under the related grants are deferred and recognized as revenue when the related expenses are incurred. At June 30, 2020, refundable advances of $236,505 have not been recognized because performance requirements or qualifying expenditures have not yet been incurred.

Contributions:

Contributions are considered nonexchange transactions and are recognized in the appropriate category of net assets in the period received. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions in the period the restriction is satisfied. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated materials, services and equipment:

Support arising from donated goods and services is recognized in the consolidated financial statements at its fair value. Donated services are recognized when the services received meet one of the following criteria:

(a) create or enhance nonfinancial assets
(b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Although the Organization utilizes the services of outside volunteers to perform a variety of tasks that assist the Organization, the fair value of all these services may not be reflected in the consolidated financial statements because the above criteria are not met.

Donated clothing, supplies and food are recorded as contributions at their estimated fair market value on the date of donation.

1. Description of organization and summary of significant accounting policies (continued):

Donated materials, services and equipment (continued):

Donations of property and equipment are recorded as contributions at their estimated fair market 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 restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Retail sales:

Thrift store sales revenue is recognized when the customer receives and pays for the merchandise.

Cash and cash equivalents:

All highly liquid debt instruments purchased with a maturity of three months or less are considered to be cash equivalents.

All cash and cash equivalents are placed with various credit institutions. At times, such amounts may be in excess of the FDIC insurance limits; however, management does not believe they are exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable:

Accounts receivable consist primarily of uncollateralized obligations from the State of Arizona, related to amounts earned but uncollected from GAP's contracts with the State. Payments of accounts receivable are applied to the specific invoices identified on the remittance advice, or if unspecified, to the earliest unpaid invoices. Account balances with invoices over 90 days old are considered delinquent.

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The allowance for doubtful accounts is based on management's assessment of the collectibility of specific doubtful accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible.

Inventory:

Inventory consists of donated items such as food, household goods, clothing, and various other items that are used in the Organization's programs as well as by other not-for-profit organizations in the community. Donated goods are valued using costs associated with bringing the donated inventory to either be sold or provided to the community.

1. Description of organization and summary of significant accounting policies (continued):

Property, equipment, depreciation, and amortization:

Property and equipment are stated at cost or, if acquired by gift, at estimated fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the related assets which range from 5 to 40 years. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the assets, or lease term, and is included with depreciation expense.

Functional allocation of expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include rent, which is allocated on a square footage basis, as well as insurance and interest, which are allocated on the basis of program cost to total cost.

Advertising:

Advertising costs are expensed as incurred. Total advertising expense was $48,007 for 2020.

Tax exempt status:

Both GAP and MC are exempt from income taxes under both federal Internal Revenue Code Section 501(c)(3) and Arizona income tax laws, and is classified as other than a private foundation under section 509(a)(2). Income from certain activities not directly related to the Organization's tax-exempt purpose, however, may be subject to taxation as unrelated business taxable income (UBTI). El Sol and Garage are disregarded entities for tax purposes.

Subsequent events:

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2020 through October 29, 2020, the date that the consolidated financial statements were available to be issued. Management has no responsibility to update these consolidated financial statements for events and circumstances occurring after this date.

2. Liquidity and availability of financial assets:

The following reflects the Organization's financial assets for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date:

Cash and cash equivalents	$ 899,818
Accounts receivable, net	532,960
Total financial assets	1,432,778
Less donor restricted net assets	(50,103)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,382,675

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

3. Accounts receivable:

Accounts receivable	$ 595,460
Less allowance for doubtful accounts	62,500
	$ 532,960

4. Property and equipment:

Land	$ 1,698,931
Building	2,370,368
Ranch	700,000
Furniture and equipment	378,859
Leasehold improvements	523,067
Vehicles	807,766
	6,478,991
Less accumulated depreciation	2,297,894
	$ 4,181,097

5. Paycheck Protection Program (PPP) loan:

In May 2020, GAP and MC were granted unsecured PPP loans from Pacific Premier Bank in the amount of $651,748 and $25,932, pursuant to the CARES Act and the PPP Flexibility Act (the Acts). The loans bear interest at a rate of 1%. The Acts defer repayment of principal and interest to the earlier of the date of loan forgiveness or ten months after the last day of the chosen covered period. Under the terms of the PPP, certain amounts of the loans may be forgiven if they are used for covered expenses as described in the Acts. GAP and MC plan to use the entire loan amount for covered expenses. Under the PPP program, the Small Business Administration (SBA) may undertake an audit of a loan of any size. The audit would include the loan forgiveness application as well as whether GAP and MC met the eligibility requirements of the program and received the proper loan amount. GAP and MC have not applied for forgiveness as of October 29, 2020.

GAP accounts for the PPP loan as a conditional contribution in accordance with ASC 958-605. The contribution is conditional based on GAP incurring covered expenses, maintaining employee count, and limiting salary reductions. During the year ended June 30, 2020, GAP and MC recorded $651,748 as support based on their assessment of conditions that have been substantially met. MC accounts for the PPP loan under the debt model.

6. Long-term debt:

Note payable, Wells Fargo, payable in monthly installments of $956 including interest at 4.6% through October 2024, at which time a balloon payment estimated at approximately $124,000 is due. Collateralized by real property.	$	145,800
Note payable, Bank of the West, due in full in July 2018. Since then, the Organization has continued to make monthly payments of approximately $5,000. These payments consist of interest at the swap rate plus 5% plus an additional interest amount of 5% charged on the total outstanding balance due to the payoff being late. As of the report date, the Organization is still renegotiating the terms of this note. This note is collateralized by real property, the assignment of rent and personal guarantees.		581,685
Note payable, Wells Fargo Bank, payable in monthly installments of $2,433 including interest at 4.6%, through October 2024, at which time a balloon payment estimated at approximately $317,000 is due. Collateralized by real property.		370,970
Note payable, Wells Fargo Bank, payable in monthly installments of $4,203 including interest at 6.5% through August 2027, collateralized by the Organization's business assets, including real property. This note was converted from a prior line of credit agreement.		287,462

6. Long-term debt (continued):

Note payable, Wells Fargo Bank, payable in monthly installments of $2,206 including interest at 4.6%, through July 2024, with a balloon payment of $287,350 due August 2024. The note is subject to a prepayment penalty and collateralized by real property.	$ 334,670
Note payable, Select Funding, LLC, payable in monthly installments of $738 including interest at 17.74%, through February 2023, collateralized by equipment.	17,849
Note payable, payable in monthly installments of $766 including interest at 3.88% through February 2021, collateralized by a vehicle.	5,528
Note payable, Wells Fargo Equipment Finance, payable in monthly installments of $2,282 including interest at 4.15% through October 2020, collateralized by vehicles. This note includes prepayment penalty provisions.	9,180
Note payable, Wells Fargo Equipment Finance, payable in monthly installments of $2,311 including interest at 5.19% through May 2021, collateralized by vehicles. This note is includes prepayment penalty provisions.	24,274
Note payable, Wells Fargo Bank, payable in monthly installments of $6,419 including interest at 5% with an estimated balloon payment of $814,000 due in March 2027, collateralized by real property. Note is subordinated to a loan to an officer of the Organization and is subject to prepayment penalties.	1,012,633
Note payable, Marlin Business Bank, payable in monthly installments of $500 at 0% interest through March 2020, collateralized by equipment.	1,030
Note payable, Wells Fargo Bank, payable in monthly installments of $1,778 including interest at 5.5%, through August 2027, with a balloon payment estimated at $162,000 due September 2027. The note is subject to a prepayment penalty and collateralized by real property.	235,984
Note payable, Pacific Premier Bank, payable in monthly installments at 1% interest beginning ten months after the last day of the chosen covered period through May 2022. The loan may be prepaid by MC at any time prior to maturity with no prepayment penalties; however, written notice must be provided in the prescribed time prior to the payoff and all accrued interest must first be paid in full.	25,932

6. Long-term debt (continued):

Note payable, SBA, payable in monthly installments of $641 including interest at 2.75%, beginning June 2021 through through June 2050. The note is collateralized by substantially all assets. MC must obtain and itemize receipts of the spending of the funds and retain these receipts for three years from the final disbursement date. This note can be prepaid at anytime without notice or penalty.	$ 149,900
	3,202,897
Less current portion	724,872
	$ 2,478,025

Most of the debt agreements are cross collateralized. The Organization is subject to certain financial and nonfinancial covenants that it is in violation of at June 30, 2020. The Organization has reclassified all future payments on long-term debt as current liabilities at June 30, 2020.

Future maturities of long-term debt based on the prescribed repayment schedules are as follows:

Year ending June 30,	
2021	$ 724,872
2022	116,742
2023	120,157
2024	121,737
2025	822,017
Thereafter	1,297,372
	$ 3,202,897

7. Related party transactions:

During 2009, GAP entered into an unsecured note with an officer for $285,000. The note is payable with interest only at 10% for five years, and then amortizes over twenty years. In 2014, this note was amended to require interest only payments and principal payments as financially feasible by the Organization. At June 30, 2020, this note was repaid in full.

The same officer made a cash contribution to the Organization totaling $200,000 and performed his duties without pay for a portion of the year. The donated services were valued at approximately $66,000.

In March 2017, the Organization purchased a residential property that they were previously renting and utilizing as a group facility and respite home from an officer for $1,450,000. The Organization entered into a $1,087,500 note payable with Wells Fargo Bank, discussed in Note 6, a seller carryback note with the officer in the amount of $162,500 and received a noncash gift of $200,000 from the officer to finance the purchase. During 2020, the seller carryback note was paid in full.

During 2020, approximately $3,700 of interest expense was recorded and paid to the officer.

GAP leases three other group home facilities from that officer. The monthly lease payments vary, ranging from $2,300 to $5,500 with all leases ending in December 2022. Lease expense related to these homes totaled approximately $129,000 for 2020.

GAP also leases two group home facilities from other employees. The monthly lease payments range from $2,000 to $2,030 ending at various dates through March 2023. One of these leases was leased by MC during the year, with no written agreement in place. The Organization's lease expense related to these homes totaled approximately $49,000 for 2020.

Future minimum lease payments under related party operating leases are as follows:

Year ending June 30,	
2021	$ 177,960
2022	161,720
2023	82,800
	$ 422,480

Most of the related party leases include a provision whereby GAP may elect to terminate the agreement in the event that its contracts with the State of Arizona are terminated.

8. Net assets with donor restrictions:

Net assets subject to expenditure for specified purpose:

	July 1, 2019	Contributions	Releases	June 30, 2020
Program restriction:				
Warehouse shelving	$ 76,084	$ -	$ (50,214)	$ 25,870
Food program equipment	44,300	-	(20,067)	24,233
Pasqua Yaqui Family Enrichment	-	15,000	(15,000)	-
TEP Community Basic Needs Program	-	25,000	(25,000)	-
	$ 120,384	$ 40,000	$ (110,281)	$ 50,103

9. In-kind contributions:

Food	$ 682,039
Supplies and other	95,150
	$ 777,189

10. Rental revenue:

The Organization subleases office space, respite houses and other areas of the facilities on a month-to-month, as needed basis. Additionally, the Organization subleases a collaborative workspace to organizations in the community under an agreement held by an organization with a similar mission. During 2020, total rental revenue was $61,520.

11. Retirement plans:

The Organization has a 403(b) employee benefit plan (Plan) covering all employees. Participants can elect to make limited salary deferral contributions and the Plan provides for discretionary matching and discretionary nonelective employer contributions. Management declared approximately $15,000 of matching contributions to the Plan during the year ended June 30, 2020.

12. Operating leases:

The Organization leases office, warehouse space, vehicles and group home facilities under operating leases that expire at various dates through December 2024. Lease expense for these leases for the year ended June 30, 2020 was approximately $682,000. Future minimum lease payments under operating leases are as follows:

Year ending June 30,	
2021	$ 577,530
2022	502,613
2023	277,387
2024	66,740
	$ 1,424,270

GAP also leases vehicles on an as-needed hourly, daily or weekly basis. Total nonrelated party lease expense for the year ended June 30, 2020 was approximately $682,000

In most of the operating leases, GAP has negotiated a provision in the long-term lease whereby if the State of Arizona contracts are terminated, GAP may opt out of a particular lease.

13. Statement of cash flows:

Supplemental disclosure of cash flow information:
Cash paid for interest was $205,357 for the year ended June 30, 2020.

Noncash investing and financing information:
During 2020, the Organization converted its line of credit to long-term financing.

14. Commitments and contingencies:

The COVID-19 outbreak in the United States has caused business disruption. The extent of the COVID-19 impact on the Organization's operational and financial performance will depend on certain developments, including duration and spread of the outbreak, impact on customers, donors, other funding sources, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the consolidated financial statements is uncertain.

14. Commitments and contingencies (continued):

Litigation:

From time to time, the Organization is involved in litigation and claims arising in the normal course of operations. It is not possible to predict with certainty whether or not the Organization will ultimately be successful in any of these legal matters or, if not, what the impact might be. However, the Organization's management does not expect that any legal proceedings will have a material adverse effect on the Organization's financial statements.

Funding:

The Organization received a substantial amount (60% in 2020) of its support from governmental and other pass-through agencies. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable.

15. Concentrations:

For the year ended June 30, 2020, State of Arizona contracts and in-kind contributions comprised 62% and 10% of total revenue and support. At June 30, 2020, State of Arizona receivables accounted for 72% of accounts receivable.

16. Pending pronouncements:

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers." ASU 2014-09 applies to contracts with customers, excluding, most notably, insurance and leasing contracts. ASU 2014-09 prescribes a framework in accounting for revenues from contracts within its scope, including (a) identifying the contract, (b) identifying the performance obligations under the contract, (c) determining the transaction price, (d) allocating the transaction price to the identified performance obligations and (e) recognizing revenues as the identified performance obligations are satisfied. ASU 2014-09 also prescribes additional financial statement presentations and disclosures. ASU 2014-09 is effective for reporting periods beginning after December 15, 2020, with early adoption permitted.

In February 2016, the FASB issued ASU 2016-02 "Leases." ASU 2016-02 requires a lessee to recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term, along with additional qualitative and quantitative disclosures. ASU 2016-02 is effective for reporting periods beginning after December 15, 2021, with early adoption permitted.

Management is currently evaluating the effect that these standards will have on the consolidated financial statements.

17. Subsequent event:

In May 2020, the Organization made an escrow deposit in the amount of $5,000 to purchase a building. The total purchase price of the property is $4,500,000. In July 2020, an additional escrow deposit of $45,000 was made. In the event that the transaction is consummated, management expects to finance the remaining cost of the building.