

GAP MINISTRIES, INC.
Tucson, Arizona

CONSOLIDATED
FINANCIAL STATEMENTS
June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors
of GAP Ministries, Inc.

Opinion

We have audited the accompanying financial statements of GAP Ministries, Inc. (a nonprofit entity hereafter known as the Organization), which are comprised of the consolidated statements of financial position as of June 30, 2022 and 2021 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related disclosures (collectively, the "financial statements").

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021 and the changes in its net assets 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 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 the Organization 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.

Darin Guthrie, CPA, PLLC

Tucson, Arizona
September 26, 2022

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 266,912	\$ 672,085
Accounts receivable, net	602,499	747,425
Promises to give, net	138,594	173,867
Inventory	31,000	25,000
Other current assets	51,104	27,099
Total current assets	1,090,109	1,645,476
PROPERTY AND EQUIPMENT, NET	8,556,596	4,173,767
TOTAL ASSETS	\$ 9,646,705	\$ 5,819,243
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Current portion of long-term debt	\$ 196,208	\$ 692,487
Accounts payable	275,297	95,526
Accrued expenses	158,543	199,291
Other current liabilities	57,897	15,986
Rent deferral, current portion	-	21,177
Total current liabilities	687,945	1,024,467
LONG-TERM LIABILITIES:		
Long-term debt, net of current portion	5,636,860	2,347,327
TOTAL LIABILITIES	6,324,805	3,371,794
NET ASSETS:		
Without donor restrictions:		
Undesignated	328,231	1,002,215
Invested in property and equipment, net of related debt	2,723,528	1,133,953
Total without donor restrictions	3,051,759	2,136,168
With donor restrictions	270,141	311,281
TOTAL NET ASSETS	3,321,900	2,447,449
TOTAL LIABILITIES AND NET ASSETS	\$ 9,646,705	\$ 5,819,243

These consolidated financial statements should be read only in connection
with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without donor restrictions	With donor restrictions	Total
REVENUES AND SUPPORT:			
Contract revenue	\$ 5,114,562	\$ -	\$ 5,114,562
In-kind contributions	4,166,906	-	4,166,906
Contributions	1,365,259	-	1,365,259
Campus of Hope	-	128,644	128,644
Grants	-	266,281	266,281
Thrift store	407,063	-	407,063
Food program	159,047	-	159,047
Other	233,022	-	233,022
Gain on sales of assets	203,807	-	203,807
Net assets released from restrictions	436,065	(436,065)	-
	<u>12,085,731</u>	<u>(41,140)</u>	<u>12,044,591</u>
EXPENSES			
Program services:			
Splash	5,508,671	-	5,508,671
Community warehouse	1,842,209	-	1,842,209
Kitchen	1,269,031	-	1,269,031
Visitation and foster care	1,059,261	-	1,059,261
Miracle Center	469,259	-	469,259
	<u>10,148,431</u>	<u>-</u>	<u>10,148,431</u>
General and administrative	974,456	-	974,456
Fundraising and development	370,246	-	370,246
	<u>11,493,133</u>	<u>-</u>	<u>11,493,133</u>
CHANGE IN NET ASSETS BEFORE DISCONTINUED OPERATIONS	592,598	(41,140)	551,458
Discontinued operations	322,993	-	322,993
CHANGE IN NET ASSETS	915,591	(41,140)	874,451
NET ASSETS, beginning	<u>2,136,168</u>	<u>311,281</u>	<u>2,447,449</u>
NET ASSETS, end	<u>\$ 3,051,759</u>	<u>\$ 270,141</u>	<u>\$ 3,321,900</u>

These consolidated financial statements should be read only in connection
with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Contract revenue	\$ 5,129,927	\$ -	\$ 5,129,927
In-kind contributions	2,505,889	-	2,505,889
Contributions	1,183,555	10,032	1,193,587
Campus of Hope	-	237,282	237,282
Grants	236,505	231,846	468,351
Thrift store	367,014	-	367,014
Food program	148,701	-	148,701
Other	225,212	-	225,212
Gain on sales of assets	13,100	-	13,100
Net assets released from restrictions	217,982	(217,982)	-
	<u>10,027,885</u>	<u>261,178</u>	<u>10,289,063</u>
EXPENSES			
Program services:			
Splash	4,880,588	-	4,880,588
Community warehouse	1,231,270	-	1,231,270
Kitchen	954,778	-	954,778
Visitation and foster care	859,500	-	859,500
QRTP	242,718	-	242,718
Miracle Center	419,683	-	419,683
El Sol	85,984	-	85,984
	<u>8,674,521</u>	<u>-</u>	<u>8,674,521</u>
General and administrative	840,113	-	840,113
Fundraising and development	325,125	-	325,125
	<u>9,839,759</u>	<u>-</u>	<u>9,839,759</u>
CHANGE IN NET ASSETS BEFORE DISCONTINUED OPERATIONS	188,126	261,178	449,304
Discontinued operations	-	-	-
CHANGE IN NET ASSETS	188,126	261,178	449,304
NET ASSETS, beginning	<u>1,948,042</u>	<u>50,103</u>	<u>1,998,145</u>
NET ASSETS, end	<u>\$ 2,136,168</u>	<u>\$ 311,281</u>	<u>\$ 2,447,449</u>

These consolidated financial statements should be read only in connection
with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 874,451	\$ 449,304
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	221,401	230,021
Bad debt / recoveries	69,454	(74)
Gain on sale of assets	(203,807)	(13,100)
Discontinued operations	(351,161)	-
In-kind donation of assets	(6,154)	-
Loan forgiveness	-	(25,932)
Changes in operating assets and liabilities:		
Accounts receivable	82,165	(214,391)
Promises to give	28,581	(173,867)
Long-term pledges receivable, net	-	-
Inventory	(6,000)	-
Other current assets	(24,005)	62,429
Accounts payable	179,771	43,690
Accrued expenses	(40,748)	9,141
Other current liabilities	41,911	(228,594)
Rent deferral	(21,177)	(19,618)
Net adjustments	<u>(29,769)</u>	<u>(330,295)</u>
Net cash provided by operating activities	<u>844,682</u>	<u>119,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(5,403,909)	(222,691)
Proceeds from disposal of assets	1,360,800	13,100
Net cash used in investing activities	<u>(4,043,109)</u>	<u>(209,591)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(1,399,246)	(165,350)
Borrowings on long-term debt	4,192,500	28,199
Net cash used in financing activities	<u>2,793,254</u>	<u>(137,151)</u>
Net decrease in cash and cash equivalents	(405,173)	(227,733)
CASH AND CASH EQUIVALENTS, beginning	<u>672,085</u>	<u>899,818</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 266,912</u>	<u>\$ 672,085</u>

These consolidated financial statements should be read only in connection with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

	Program Services								
	Splash	Community warehouse	Kitchen	Visitation and foster care	Miracle Center	Total Program Services	General and administrative	Fundraising and development	Total expenses
Salaries	\$ 1,843,741	\$ 55,422	\$ 202,701	\$ 568,821	\$ 193,109	\$ 2,863,794	\$ 557,544	\$ 200,184	\$ 3,621,522
Payroll taxes and employee benefits	281,375	6,085	29,419	87,444	37,713	442,036	91,363	33,402	566,801
	<u>2,125,116</u>	<u>61,507</u>	<u>232,120</u>	<u>656,265</u>	<u>230,822</u>	<u>3,305,830</u>	<u>648,907</u>	<u>233,586</u>	<u>4,188,323</u>
Advertising	-	-	-	5,311	9,742	15,053	10,975	114,387	140,415
Bad debt/recoveries	14,969	10,885	-	36,907	-	62,761	6,693	-	69,454
Bank fees	-	-	-	-	11,109	11,109	34,464	-	45,573
Childcare and tuition	-	-	-	7,297	-	7,297	-	-	7,297
Clothes	6,729	-	-	-	-	6,729	-	-	6,729
Depreciation	132,004	22,001	11,000	44,001	1,395	210,401	11,000	-	221,401
Dues and memberships	4,944	-	-	-	304	5,248	-	1,193	6,441
Employee screenings	14,692	-	-	1,631	-	16,323	-	-	16,323
Food	1,513,349	956,125	669,918	-	4,523	3,143,915	-	-	3,143,915
Freight	-	26,242	-	-	-	26,242	-	-	26,242
Insurance	161,881	26,980	13,490	53,960	19,524	275,835	13,490	-	289,325
Interest	116,500	3,655	1,828	8,529	4,568	135,080	1,828	-	136,908
License and permits	-	-	-	-	10	10	285	-	295
Miscellaneous	955	1,907	2,838	3,955	5,709	15,364	32,539	2,017	49,920
Professional services	-	-	-	-	2,829	2,829	127,658	-	130,487
Recreation services	2,779	-	-	-	-	2,779	-	-	2,779
Rent	259,546	207,996	41,004	96,000	101,079	705,625	6,267	-	711,892
Repairs and maintenance	62,218	11,461	8,496	15,409	10,247	107,831	34,028	-	141,859
Supplies	676,615	420,879	268,767	7,540	4,864	1,378,665	31,400	18,189	1,428,254
Training	2,525	-	1,373	657	-	4,555	1,685	-	6,240
Travel	1,723	-	376	2,156	-	4,255	3,475	-	7,730
Utilities	266,763	16,770	11,708	43,727	27,715	366,683	7,744	874	375,301
Vehicle	145,363	75,801	6,113	75,916	34,819	338,012	2,018	-	340,030
Total expenses	<u>\$ 5,508,671</u>	<u>\$ 1,842,209</u>	<u>\$ 1,269,031</u>	<u>\$ 1,059,261</u>	<u>\$ 469,259</u>	<u>\$ 10,148,431</u>	<u>\$ 974,456</u>	<u>\$ 370,246</u>	<u>\$ 11,493,133</u>

These consolidated financial statements should be read only in connection
with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

	Program Services							Total Program Services	General and administrative	Fundraising and development	Total expenses
	Splash	Community warehouse	Kitchen	Visitation and foster care	Q RTP	Miracle Center	El Sol				
Salaries	\$ 1,994,196	\$ 71,227	\$ 188,426	\$ 467,039	\$ 165,862	\$ 175,025	\$ 11,531	\$ 3,073,306	\$ 515,060	\$ 202,415	\$ 3,790,782
Payroll taxes and employee benefits	283,719	14,207	25,244	62,475	18,932	25,274	486	430,337	31,516	22,631	484,484
	<u>2,277,915</u>	<u>85,434</u>	<u>213,670</u>	<u>529,514</u>	<u>184,794</u>	<u>200,299</u>	<u>12,017</u>	<u>3,503,643</u>	<u>546,576</u>	<u>225,047</u>	<u>4,275,266</u>
Advertising	-	-	-	-	-	4,162	-	4,162	36,997	78,830	119,989
Bad debt/recoveries	-	-	4,805	-	-	-	12,621	17,426	(17,500)	-	(74)
Bank fees	2,871	535	108	1	-	9,931	178	13,624	29,275	53	42,952
Childcare and tuition	13,879	-	-	5,963	-	-	-	19,842	-	-	19,842
Clothes	6,609	-	-	-	-	-	-	6,609	-	-	6,609
Depreciation	130,832	21,805	10,903	43,611	-	1,349	10,618	219,118	10,903	-	230,021
Food	1,279,761	823,250	547,308	-	-	5,977	-	2,656,297	1,243	13	2,657,553
Freight	4,620	3,990	9	5	-	190	21	8,835	782	975	10,591
Insurance	154,113	25,685	51,371	12,843	-	16,866	-	260,878	12,843	-	273,721
Interest	91,236	13,107	8,719	26,214	21,905	4,405	15,748	181,334	(15,351)	-	165,983
License and permits	611	-	745	-	-	51	-	1,407	684	-	2,091
Miscellaneous	247	3,050	115	450	-	50	-	3,912	17,337	869	22,118
Professional services	-	-	-	-	15,066	4,594	-	19,660	140,862	-	160,522
Recreation services	3,984	-	-	389	-	-	-	4,374	-	-	4,374
Rent	282,810	156,817	44,805	135,263	-	87,024	783	707,502	25,887	-	733,389
Repairs and maintenance	145,168	9,924	13,758	480	-	16,933	9,243	195,506	21,122	-	216,628
Supplies	85,615	7,894	41,337	6,146	20,579	9,151	446	171,168	8,284	17,730	197,182
Training	18,797	116	2,089	2,677	374	1,384	1,999	27,435	8,013	171	35,619
Travel	1,368	-	45	-	-	44	-	1,458	1,282	-	2,740
Utilities	256,003	17,203	9,802	47,168	-	27,558	22,310	380,044	8,102	1,386	389,532
Vehicle	124,149	62,460	5,189	48,776	-	29,714	-	270,288	2,772	51	273,111
Total expenses	<u>\$ 4,880,588</u>	<u>\$ 1,231,270</u>	<u>\$ 954,778</u>	<u>\$ 859,500</u>	<u>\$ 242,718</u>	<u>\$ 419,683</u>	<u>\$ 85,984</u>	<u>\$ 8,674,521</u>	<u>\$ 840,113</u>	<u>\$ 325,125</u>	<u>\$ 9,839,759</u>

These consolidated financial statements should be read only in connection with the accompanying notes to the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 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), Miracle Center (MC), and its wholly owned subsidiary GAP El Sol Apartments, LLC (El Sol).

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.

Community warehouse - locally distributes donated goods for the care of the ill, needy, and youth. Community warehouse serves to support community needs, develops innovative solutions to resolve unmet needs, and implements programs where other resources are not available. Through Community warehouse, 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. Community warehouse 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 (QRTP) - to expand and improve the quality and accessibility of trauma-informed services to families with members in residential placement. QRTP had no activities during the year ended June 30, 2022.

MC - acquired by GAP in August 2018 through GAP's assumption of MC's board, MC is an Arizona not-for-profit organization that operates transitional housing and a thrift store. MC provides transitional housing for women, which is currently being operated out of one of the Splash houses. During August 2022, MC discontinued operating a transitional housing program. Starting October 2022, MC will start a comprehensive retail training program for eligible participants, who upon completion will obtain a technical certificate to assist them with steady employment, stable living and financial security beyond their career training.

El Sol was organized in 2014 and owns an apartment complex to provide transitional housing. As a limited liability company, the member's liability is limited. During November 2021, the Organization sold substantially all of the assets of El Sol and reported this transaction as discontinued operations.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include all accounts of GAP, El Sol, 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.

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.

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.

ADVERTISING

Advertising costs are expensed as incurred. Total advertising expense was \$140,415 and \$119,989 for the years ended June 30, 2022 and 2021, respectively.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 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. Payments received for which there is an outstanding performance obligation are deferred to the applicable period in which the goods will be delivered or services will be performed. Thrift store sales revenue and community warehouse revenue are recognized when the customer receives and pays for the merchandise. Rental income is recognized on a straight line over the period of time covered by a lease agreement, and the total contract price is allocated over the term of the agreement and recognize each month at a prorated amount. Catering contract revenues are recognized when the catering services are provided. The food handling training revenue is recognized pro rata over the period of time of the training.

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. Advances on conditional contributions are treated as liabilities until the conditions have been 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. 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.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 collectability of specific doubtful accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible.

CAPITAL CAMPAIGN

During the year ending June 30, 2021, GAP began soliciting contributions for a capital campaign, Campus of Hope, to purchase real property to operate and administer their existing programs. On September 24, 2021 GAP executed a reinstatement and amendment to a purchase and sale agreement originally dated August 2, 2021 to acquire a 4.82 acre multi-building property. The purchase price of \$4,400,000 was financed with \$1,100,000 down payment and long-term financing in the amount of \$3,300,000. Two of the original buildings have been fully rehabbed and the remaining two buildings are still in progress as of June 30, 2022. The buildings and their upgrades will address and prepare the Organization to operate and expand as necessary for present and next generation services having fixed the cost of facilities with an anticipated reduction of annual cash outflows of approximately \$250,000.

PROMISES TO GIVE

Promises to give are recorded when a donor provides a written unconditional commitment to make a future contribution of some amount. Promises to give that are expected to be collected within one year are recorded at net realizable value. Promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. GAP has not discounted its promises to give as the amount is insignificant. Management provides for probable uncollectable amounts through a provision for bad debts and an adjustment to a valuation allowance based on its assessment of the current status of the individual accounts. Management has determined that no valuation allowance was considered necessary for pledges receivable on either June 30, 2022 and 2021.

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.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

FUNCTIONAL ALLOCATIONS 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.

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 is a disregarded entity for tax purposes.

SUBSEQUENT EVENTS

The Organization's management has evaluated the events that have occurred subsequent to June 30, 2022 through September 26, 2022, 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.

RECENT ACCOUNTING STANDARDS

During the year ended June 30, 2022, the Organization implemented the provisions of the following Accounting Standards Updates (ASUs) on a retrospective basis. Implementation of these ASUs did not result in any reclassification or restatements of net assets, by class or in total, as originally reported in any previous accounting period.

In September 2020, FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958). The update was issued to increase the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. Specifically, the update requires that an NFP: (1) present contributed nonfinancial assets as a separate line item in the Statement of Activities, apart from contributions of cash and other financial assets; (2) disclose (a) disaggregated amounts of contributed nonfinancial assets by category, (b) for each category (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, and, if utilized, for which program; (ii) the NFP's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) a description of the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements of Topic 820, *Fair Value Measurements*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient NFP is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 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 June 30, 2022:

Cash and cash equivalents	\$ 266,912
Accounts receivables, net	602,499
Promises to give, net	<u>138,594</u>
Total financial assets	1,008,005
Less: donor restricted net assets	<u>(270,141)</u>
Financial assets to meet cash needs for general expenditures within one year	<u>\$ 737,864</u>

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.

NOTE 3 – ACCOUNTS RECEIVABLE

	<u>2022</u>	<u>2021</u>
Accounts receivable	\$ 647,499	\$ 792,425
Less: allowance for doubtful accounts	<u>(45,000)</u>	<u>(45,000)</u>
	<u>\$ 602,499</u>	<u>\$ 747,425</u>

NOTE 4 – PROMISES TO GIVE

Promises to give at June 30, are as follows:

	<u>2022</u>	<u>2021</u>
2021 fundraising campaign	\$ 138,594	\$ 173,867
Allowance for uncollectable promises to give	-	-
Present value discount	-	-
Total pledges receivable, net	<u>\$ 138,594</u>	<u>\$ 173,867</u>
Amounts due in:		
Less than one year	\$ 54,232	\$ 33,670
One to five years	\$ 84,362	\$ 140,197

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 5 – PROPERTY AND EQUIPMENT

	<u>2022</u>	<u>2021</u>
Land	\$ 1,637,213	\$ 901,931
Building	7,242,210	3,867,368
Furniture and equipment	512,717	462,794
Leasehold improvements	669,138	561,695
Vehicles	607,760	889,439
	<u>10,669,038</u>	<u>6,683,227</u>
Less: accumulated depreciation	<u>(2,112,442)</u>	<u>(2,509,460)</u>
	<u>\$ 8,556,596</u>	<u>\$ 4,173,767</u>

NOTE 6 – 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 used 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 applied for loan forgiveness during the year ended June 30, 2021.

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, 2021, MC recorded \$25,932 as support based on their assessment of conditions that have been substantially met. MC accounted for the PPP loan under the debt model in accordance with ASC 470.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to expenditure for specified purpose:

	<u>July 1, 2021</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30, 2022</u>
Program restriction:				
Warehouse shelving	\$ 25,870	\$ -	\$ (8,170)	\$ 17,700
Food program equipment	24,233	-	-	24,233
Arizona Construction Trades	10,032	-	(10,032)	-
Phoenix Suns Charities	100,000	-	(47,540)	52,460
Capital campaign	151,146	128,645	(279,791)	-
Sundt Foundation	-	2,500	(1,977)	523
Dunkin Joy Foundation	-	5,000	(5,000)	-
In-N-Out Burgers Foundation	-	10,000	(10,000)	-
Tohono O’odham	-	20,000	(20,000)	-
Arizona Diamondback	-	4,000	(4,000)	-
Recruitment program	-	30,000	(5,311)	24,689
SVO program	-	30,000	(30,000)	-
Assistance program	-	12,780	-	12,780
Lowes Foundation	-	105,000	-	105,000
City of Tucson	-	10,000	(3,458)	6,542
Bert W Martin Foundation	-	25,000	-	25,000
Share our Strength	-	10,000	(10,000)	-
Dairy Council of Arizona	-	2,000	(786)	1,214
	<u>\$ 311,281</u>	<u>\$ 394,925</u>	<u>\$ (436,065)</u>	<u>\$ 270,141</u>
	<u>July 1, 2020</u>	<u>Contributions</u>	<u>Releases</u>	<u>June 30, 2021</u>
Program restriction:				
Warehouse shelving	\$ 25,870	\$ -	\$ -	\$ 25,870
Food program equipment	24,233	-	-	24,233
Arizona Construction Trades	-	10,032	-	10,032
Arizona Food Bank	-	40,000	(40,000)	-
Share our Strength	-	2,000	(2,000)	-
Connie Hillman Foundation	-	10,000	(10,000)	-
Herrick Foundation	-	50,000	(50,000)	-
Phoenix Suns Charities	-	100,000	-	100,000
NSLP equipment	-	29,846	(29,846)	-
Capital campaign	-	237,282	(86,136)	151,146
	<u>\$ 50,103</u>	<u>\$ 479,160</u>	<u>\$ (217,982)</u>	<u>\$ 311,281</u>

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 8 – IN-KIND CONTRIBUTIONS

The Organization received donated supplies, food, and fixed assets as follows during the years ended June 30, 2022 and 2021:

	<u>Program Services</u>	<u>General and Administration</u>	<u>Fundraising and Development</u>	<u>Total</u>
<u>June 30, 2022</u>				
Food	\$ 2,906,033	\$ -	\$ -	\$ 2,906,033
Supplies	<u>1,254,719</u>	<u>-</u>	<u>-</u>	<u>1,254,719</u>
	<u>\$ 4,160,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,160,752</u>
<u>June 30, 2021</u>				
Food	\$ 2,252,347	\$ -	\$ -	\$ 2,252,347
Supplies	<u>253,542</u>	<u>-</u>	<u>-</u>	<u>253,542</u>
	<u>\$ 2,505,889</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,505,889</u>

During the year ended June 30, 2022, the Organization received donations totaling \$6,154 for construction which was capitalized.

NOTE 9 – LINE OF CREDIT

During April 2022 the Organization entered into a financing agreement (Agreement) with Washington Federal which provides for a revolving loan with a maximum borrowing capacity of \$500,000. The Agreement renewal date is May 1, 2023 and will renew from year to year unless such Agreement is terminated as set forth in the loan agreement. The outstanding balance under the agreement bears interest at a rate of Wall Street Journal prime plus 1%, but not less than 4.5%. The interest rate on this Agreement was 6.5% at June 30, 2022. The Agreement contains both financial and nonfinancial covenants. Borrowings are collateralized by substantially all the assets of the Organization. At June 30, 2022 there was no outstanding balance on this Agreement. During August 2022, the Organization had drawn \$150,000 against the Agreement, which was paid in full in September 2022.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10 – LONG-TERM DEBT

	2022	2021
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.	\$ 136,025	\$ 141,026
Note payable, Bank of the West, originally due in full in July 2018, extended through December 2021. 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%. This note is collateralized by real property, the assignment of rent and personal guarantees.	-0-	568,034
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.	-0-	358,825
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.	220,339	255,003
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.	-0-	323,544
Note payable, Select Funding, LLC, payable in monthly installments of \$738 including interest at 17.74%, through February 2023, collateralized by equipment.	3,528	11,162

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10 – LONG-TERM DEBT (Continued)

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 subject to prepayment penalties.	\$ 958,671	\$ 986,335
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.	218,730	227,597
Note payable, SBA, payable in monthly installments of \$641 including interest at 2.75%, beginning June 2021 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	149,900
Note payable, AT&T, payable in monthly installments of \$934 with no interest, beginning November 2020 through February 2023. The note is collateralized by equipment.	7,179	18,388
Note payable, Washington Federal, payable in monthly installments of \$2,261 including interest at 3.79%, through December 2031 and a balloon payment of \$311,107 on December 15, 2031. The note is subject to a prepayment penalty and collateralized by real property.	429,449	-0-
Note payable, Washington Federal, payable in monthly installments of \$2,378 including interest at 3.79%, through December 2031 and a balloon payment of \$327,198 on December 15, 2031. The note is subject to a prepayment penalty and collateralized by real property.	451,711	-0-
Note payable, Washington Federal, payable in monthly installments of \$17,150 including interest at 3.79%, through December 2031 and a balloon payment of \$2,360,118 on December 15, 2031. The note is subject to a prepayment penalty and collateralized by real property.	3,257,536	-0-
	5,833,068	3,039,814
Less current portion	196,208	692,487
	<u>\$ 5,636,860</u>	<u>\$ 2,347,327</u>

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 10 – LONG-TERM DEBT (Continued)

Most of the debt agreements are cross collateralized. The Organization is subject to certain financial and nonfinancial covenants that it is in compliance with at June 30, 2022 and 2021.

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

Year ending	
June 30,	
2023	\$ 196,208
2024	198,469
2025	327,486
2026	212,648
2027	1,013,723
Thereafter	<u>3,884,534</u>
	<u>\$ 5,833,068</u>

NOTE 11 – 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 the fiscal years ended June 30, 2022 and 2021, total rental revenue was \$21,232 and \$27,400, respectively.

NOTE 12 – CONTRACTS WITH CUSTOMERS

Disaggregated revenue from contracts with customers, allocated contract receivables, and allocated performance obligations were as follows as of and for the years ended June 30, 2022 and 2021.

	Revenue recognized	Allocated contract receivables	Allocated performance obligations
June 30, 2022			
Recognized by:			
Point in time -			
State contracts	\$ 5,111,011	\$ 511,988	\$ 24,164
Thrift store sales	407,063	-0-	-0-
Grant revenues	266,281	113,483	-0-
Catering revenues	159,047	17,185	-0-
Community			
warehouse	42,699	-0-	-0-
Passage of time -			
Rent	43,309	-0-	-0-
	<u>\$ 6,209,410</u>	<u>\$ 642,656</u>	<u>\$ 24,164</u>

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 12 – CONTRACTS WITH CUSTOMERS (Continued)

	Revenue recognized	Allocated contract receivables	Allocated performance obligations
<u>June 30, 2021</u>			
Recognized by:			
Point in time -			
State contracts	\$ 5,129,927	\$ 685,478	\$ -0-
Thrift store sales	367,014	-0-	-0-
Grant revenues	468,351	29,846	-0-
Catering revenues	148,701	52,189	-0-
Community warehouse	67,424	-0-	-0-
Passage of time -			
Rent	100,319	-0-	-0-
	<u>\$ 6,281,736</u>	<u>\$ 767,513</u>	<u>\$ -0-</u>

Contract receivables related to contracts with customers are listed as allocated contract receivables in the table above. Contract liabilities related to contracts with customers are listed as performance obligations in the table above.

NOTE 13 – RETIREMENT PLAN

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 \$31,958 in matching contributions to the Plan during the year ended June 30, 2022. These matching contributions were paid in September 2022. Management declared no matching contributions to the Plan during the year ended June 30, 2021.

NOTE 14 – RELATED PARTY TRANSACTIONS

GAP leases three other group home facilities from an 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 \$134,100 and \$130,000 for the fiscal years ended June 30, 2022 and 2021, respectively.

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 other lease was terminated in October 2021. The Organization's lease expense related to these homes totaled approximately \$36,190 and \$49,000 for the fiscal years ended June 30, 2022 and 2021, respectively.

Future minimum lease payments under related party operating leases for the year ending June 30, 2023 are \$64,800.

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.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 15 – 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 years ended June 30, 2022 and 2021 were approximately \$799,000 and \$803,000, respectively. Future minimum lease payments under operating leases are as follows:

Year ending	
June 30,	
2023	\$ 280,314
2024	<u>36,828</u>
	<u>\$ 317,142</u>

GAP also leases vehicles on an as-needed hourly, daily or weekly basis. Total nonrelated party lease expense for the year ended June 30, 2022 and 2021 was approximately \$763,000 and \$625,000, respectively.

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.

NOTE 16 – STATEMENT OF CASH FLOWS

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest was \$128,377 and \$164,151 for the years ended June 30, 2022 and 2021, respectively.

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING INFORMATION

Gain on PPP loan forgiveness was \$-0- and \$25,932 for the year ended June 30, 2022 and 2021, respectively.

NOTE 17 – 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.

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.

These notes are an integral part of the consolidated financial statements.

GAP MINISTRIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

FUNDING

The Organization received a substantial amount (41% in 2022 and 50% in 2021) 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.

CONSTRUCTION

The Organization had one active construction project as of June 30, 2022. GAP had one contract related to the construction project in the amount of approximately \$28,000, of which \$12,800 had been paid with a remaining commitment of \$15,200 as of June 30, 2022.

NOTE 18 – CONCENTRATIONS

For the year ended June 30, 2022, State of Arizona contracts and in-kind contributions comprised 41% and 34%, respectively, of total revenue and support. At June 30, 2022, State of Arizona receivables accounted for 80% of accounts receivable.

For the year ended June 30, 2021, State of Arizona contracts and in-kind contributions comprised 50% and 24%, respectively, of total revenue and support. At June 30, 2021, State of Arizona receivables accounted for 96% of accounts receivable.

NOTE 19 – PENDING PRONOUNCEMENTS

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. Early adoption is permitted.

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

NOTE 20 – SUBSEQUENT EVENT

During June 2022, the Organization entered into a preliminary agreement for the sale of real property (known as Sunkist). The total sales price of the property was \$905,000. Escrow effectively closed September 1, 2022 and Washington Federal loan balance in the amount of \$427,682 was paid in full and a book gain of \$646,405 was recorded.

These notes are an integral part of the consolidated financial statements.