CHILD & FAMILY RESOURCES, INC.
AND SUBSIDIARY

INDEPENDENT AUDITOR'S REPORT
AND CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2021 AND 2020

RCM
REGIER CARR & MONROE, LLP, CPAs

CHILD & FAMILY RESOURCES, INC.
AND SUBSIDIARY

TABLE OF CONTENTS

Page

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child & Family Resources, Inc. and Subsidiary
Tucson, Arizona

We have audited the accompanying consolidated financial statements of Child & Family Resources, Inc. and Subsidiary (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 auditor's 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 entity'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 entity'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.

(continued)

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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 Child & Family Resources, Inc. and Subsidiary as of June 30, 2021 and 2020, and the changes in their net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Child & Family Resources, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child & Family Resources, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child & Family Resources, Inc. and Subsidiary's internal control over financial reporting and compliance.

Regier Carr & Monroe, L.L.P.

November 15, 2021
Tucson, Arizona

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	$ 2,027,051	$ 2,024,170
Grants and accounts receivable, net	1,704,111	2,132,358
Investments	2,598,433	1,832,363
Prepaid expenses	148,652	64,699
Current portion of note receivable	4,116	4,116
Total current assets	6,482,363	6,057,706
PROPERTY AND EQUIPMENT, NET	2,653,434	2,319,020
OTHER ASSETS		
Non-current portion of note receivable	34,349	38,465
Investment in AHRIC	192,081	118,287
Deposits	53,755	51,558
Total other assets	280,185	208,310
Total assets	$ 9,415,982	$ 8,585,036

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable	$ 351,891	$ 356,219
Accrued expenses and other liabilities	709,294	541,224
Current portion of Paycheck Protection Program note payable	-	663,059
Current portion of long-term debt	35,827	34,168
Total current liabilities	1,097,012	1,594,670
LONG-TERM LIABILITIES		
Payroll Protection Program note payable, less current portion	-	1,063,541
Long-term debt, less current portion	213,964	249,582
Total long-term liabilities	213,964	1,313,123
Total liabilities	1,310,976	2,907,793
NET ASSETS		
Net assets without donor restrictions		
General operating	5,686,135	3,637,743
Investment in capital assets	2,403,643	2,035,270
Total net assets without donor restrictions	8,089,778	5,673,013
Net assets with donor restrictions	15,228	4,230
Total net assets	8,105,006	5,677,243
Total liabilities and net assets	$ 9,415,982	$ 8,585,036

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2021

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Government grants	$ 15,932,163	$ -	$ 15,932,163
Thrift shop revenue	449,038	-	449,038
Parent fees	26,825	-	26,825
Contributions	346,611	10,998	357,609
Other revenue	141,784	-	141,784
Paycheck Protection Program grant	1,726,600	-	1,726,600
In-kind contributions	504	-	504
United Way	1,000	-	1,000
Investment gain, net	168,800	-	168,800
Interest on note receivable	2,850	-	2,850
Total revenues	18,796,175	10,998	18,807,173
EXPENSES			
Program services	14,026,516	-	14,026,516
General and administrative	2,235,842	-	2,235,842
Fundraising	117,052	-	117,052
Total expenses	16,379,410	-	16,379,410
CHANGE IN NET ASSETS	2,416,765	10,998	2,427,763
NET ASSETS, BEGINNING OF YEAR	5,673,013	4,230	5,677,243
NET ASSETS, END OF YEAR	$ 8,089,778	$ 15,228	$ 8,105,006

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2020

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
REVENUES			
Government grants	$ 15,867,721	$ -	$ 15,867,721
Parent fees	89,690	-	89,690
Contributions	174,536	-	174,536
Other program revenue	2,787	-	2,787
Other revenue	38,368	-	38,368
United Way	8,250	-	8,250
Investment gain, net	16,438	-	16,438
Interest on note receivable	3,128	-	3,128
Net assets released from restrictions	40,000	(40,000)	-
Total revenues	16,240,918	(40,000)	16,200,918
EXPENSES			
Program services	13,408,098	-	13,408,098
General and administrative	2,160,945	-	2,160,945
Fundraising	115,669	-	115,669
Total expenses	15,684,712	-	15,684,712
CHANGE IN NET ASSETS	556,206	(40,000)	516,206
NET ASSETS, BEGINNING OF YEAR	5,116,807	44,230	5,161,037
NET ASSETS, END OF YEAR	$ 5,673,013	$ 4,230	$ 5,677,243

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Program Services					
	Family and Community Services	Early Childcare and Education Services	Total Program Services	General and Administrative	Fundraising	Total
Personnel expense	$ 6,351,469	$ 1,459,023	$ 7,810,492	$ 990,901	$ 71,903	$ 8,873,296
Payments to subrecipients and providers	36,055	2,062,220	2,098,275	-	-	2,098,275
Professional and outside services	154,678	30,797	185,475	374,912	1,833	562,220
Employee-related expenses	1,209,351	279,225	1,488,576	126,390	9,337	1,624,303
Materials and supplies	210,807	774,066	984,873	144,649	20,256	1,149,778
Other operating expenses	413,342	70,099	483,441	430,182	9,295	922,918
Occupancy costs	626,314	79,804	706,118	57,808	3,696	767,622
Travel and related	111,022	8,839	119,861	14,450	-	134,311
Equipment	115,186	27,867	143,053	96,550	732	240,335
Assistance to individuals	4,905	1,447	6,352	-	-	6,352
Totals	$ 9,233,129	$ 4,793,387	$ 14,026,516	$ 2,235,842	$ 117,052	$ 16,379,410

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services					
	Family and Community Services	Early Childcare and Education Services	Total Program Services	General and Administrative	Fundraising	Total
Personnel expense	$ 5,683,301	$ 1,393,613	$ 7,076,914	$ 947,941	$ 78,077	$ 8,102,932
Payments to subrecipients and providers	236,339	2,156,824	2,393,163	-	-	2,393,163
Professional and outside services	279,572	25,263	304,835	421,518	298	726,651
Employee-related expenses	1,021,300	244,895	1,266,195	107,225	12,611	1,386,031
Materials and supplies	199,379	770,024	969,403	106,361	14,533	1,090,297
Other operating expenses	374,976	67,059	442,035	351,461	3,283	796,779
Occupancy costs	423,909	79,358	503,267	99,127	6,240	608,634
Travel and related	258,087	43,454	301,541	31,113	183	332,837
Equipment	110,789	31,737	142,526	96,199	444	239,169
Assistance to individuals	4,999	3,220	8,219	-	-	8,219
Totals	$ 8,592,651	$ 4,815,447	$ 13,408,098	$ 2,160,945	$ 115,669	$ 15,684,712

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,427,763	$ 516,206
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	158,271	147,103
Net realized and unrealized (gains) on investments	(162,296)	(8,620)
Earnings on AHRIC capital account	(73,794)	-
Paycheck Protection Program grant	(1,726,600)	-
Changes in operating assets and liabilities		
Grants and accounts receivable	428,247	30,449
Note receivable	4,116	3,839
Prepaid expenses	(83,953)	14,577
Deposits	(2,197)	(2,574)
Accounts payable	(4,328)	(237,707)
Accrued expenses and other liabilities	168,070	30,215
Net cash provided by operating activities	1,133,299	493,488
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(492,685)	(78,584)
Purchase of investment in AHRIC	-	(118,287)
Purchases of investments	(2,146,392)	(1,787,193)
Proceeds from sales/ maturities of investments	1,542,618	572,262
Net cash (used) by investing activities	(1,096,459)	(1,411,802)

(continued)

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	-	1,726,600
Repayment on lines of credit	-	(600,000)
Advances on line of credit	-	600,000
Principal payments on notes payables	(33,959)	(40,709)
Net cash provided (used) by financing activities	(33,959)	1,685,891
Net increase in cash and cash equivalents	2,881	767,577
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,024,170	1,256,593
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,027,051	$ 2,024,170
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 12,927	$ 17,275

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

CHILD & FAMILY RESOURCES, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. ORGANIZATION

Nature of Operations

Child & Family Resources, Inc. ("CFR") is a nationally accredited, community-based, non-profit organization with the mission to build strong communities where children can reach their full potential. CFR was founded in 1970 and has continued to meet the ever-changing needs of families through more than 20 different education and support programs in ten Arizona counties including Pinal, Pima, Maricopa, Yuma, Santa Cruz, Cochise, Graham/Greenlee, Gila, and Mohave. As a nationally accredited organization we adhere to a high standard of outcome measurement that includes pre/post testing, measurable outcomes that demonstrate improved academic skills; improved parenting knowledge, attitudes, beliefs, and skills; improvements in overall family functioning; increases in age appropriate developmental levels; reduction in risk factors including child abuse and neglect; and positive client satisfaction surveys.

In March 2006, Child & Family Resources, Inc. entered into an affiliation agreement with Tucson Nursery Schools and Child Care Centers, Inc. ("TNS"), which provided low cost childcare for low-income working families, in order to further Child & Family Resources, Inc.'s mission. TNS is a nonprofit corporation organized to operate exclusively for education, scientific, literary, and charitable purposes. The agreement required each organization to complete certain administrative and legal steps in order to complete the formal affiliation. Under the affiliation agreement, CFR has the authority to elect the directors of the Board of TNS. In July 2006, Child & Family Resources, Inc. completed all steps of the agreement and became the sole member of TNS.

As of January 1, 2017, CFR assumed operational responsibility of TNS, with TNS employees becoming CFR employees. The land, building, and deferred grant obligation remain in TNS's legal entity. During the year ended June 30, 2018, CFR closed down the childcare center, and the building was sold. CFR has kept TNS open as a non-profit organization for potential use in the future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Child & Family Resources, Inc. and its commonly controlled subsidiary, Tucson Nursery Schools and Child Care Centers, Inc. (collectively referred to as the "Organization"). All intercompany accounts and transactions have been eliminated in consolidation.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets the United States' generally accepted accounting principles ("U.S. GAAP"), which are followed by the Organization in order to ensure the consistent reporting of its financial position, changes in net assets, and cash flows. The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all receivables, payables, and other liabilities.

Consolidated Financial Statement Presentation

The Organization reports information regarding its consolidated financial position and activities according to the presence or absence of donor-imposed restrictions, which are segregated into the following categories:

Net assets with donor restrictions – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reported in the consolidated statement of activities as net assets released from restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization has elected to record contributions with donor restrictions as contributions without donor restrictions if the restrictions are met in the current year.

Net assets without donor restrictions – Net assets which are not subject to donor-imposed stipulations. A portion of net assets without donor restrictions have been designated by the board of directors as expended for property and equipment to reflect the total carrying value after accumulated depreciation of all property and equipment, net of directly related liabilities. Remaining net assets without donor restrictions are available for general operations of the Organization.

Donated Services, Materials and Facilities

Donated materials and facilities are valued at their fair market value as of the date donated. Donated services are recognized in the consolidated financial statements at their fair market value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

(continued)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

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

Use of Estimates

The preparation of consolidated 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, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenue, and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs have been summarized on a functional basis in the consolidated 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 management's estimate of the efforts expended.

Advertising

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. The total amounts of advertising expensed were $65,259 and $34,054, for the years ended June 30, 2021 and 2020, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, available funds on deposit at financial institutions, and highly liquid investments with a maturity of three months or less when purchased.

Grants and Accounts Receivable

The Organization grants unsecured credit under contracts primarily with governmental agencies in Arizona. The Organization considers accounts over 30 days past due to be delinquent. At June 30, 2021 and 2020, the balance of grants and accounts receivable included $33,778 and $200,111, respectively, of amounts over 30 days past due. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At both June 30, 2021 and 2020, the allowance for doubtful accounts was $10,000.

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included with the change in net assets.

Property and Equipment

Purchased property and equipment are recorded at cost. Donations of property and equipment are recorded as support at estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized and depreciated. The Organization's policy is to capitalize expenditures for property and equipment that exceed $5,000. Property and equipment is depreciated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 15 years
Leasehold Improvements	10 years
Vehicles	5 years

Total depreciation and amortization expense was $158,271 and $147,103, for the years ended June 30, 2021 and 2020, respectively.

Income Taxes

CFR and TNS are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). CFR and TNS are also public charities under the Internal Revenue Code Section 509(a)(1). This classification allows for donations to both organizations to be deductible as charitable contributions on income tax returns. There were no income taxes paid during the years ended June 30, 2021 and 2020.

(continued)

Both CFR and TNS have a policy to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2021, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause CFR or TNS to lose their tax-exempt status. Income tax related interest and penalties, if any, are reported in general and administrative expenses when incurred. The accompanying consolidated financial statements do not include any interest or penalties related to income taxes. No income tax examinations are currently underway or anticipated. All prior year returns have been timely filed.

CFR and TNS are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, they both are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. CFR and TNS have determined that they are not subject to unrelated business income tax for the years ended June 30, 2021 and 2020.

Change in Accounting Principle - Revenue Recognition

The Organization has adopted FASB Accounting Standards Update ("ASU 2014-09") – Revenues from Contracts with Customers (Topic 606), and other ASUs issued since ASU 2014-09 which amend and clarify ASU 2014-09. This guidance is intended to improve the recognition of revenue and develop a standard that will apply to all of revenue resulting from contracts with customers. The Organization adopted ASU 2014-09 for the fiscal year beginning July 1, 2020 on a modified retrospective transition approach, which is allowed in the ASU 2014-09.

The core principle of Topic 606, is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. There was no impact on these financial statements based on implementing this update and other related updates outside of expanded disclosures related to revenue recognition.

Change in Accounting Principle - Fair Value Disclosure and Measurements

The Organization has adopted provisions of Financial Accounting Standards Board Accounting Standards Update (ASU) 2018-13, Fair Value Measurements: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements. This ASU modifies the disclosure requirements for fair value measurements. Those modifications include the removal and addition of disclosure requirements, as well as clarifying specific disclosure requirements. The Organization retrospectively adopted ASU 2018-13 for the fiscal year beginning July 1, 2020. The adoption of this ASU did not have a significant impact on the Organization's financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements – not yet adopted

Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the consolidated balance sheet. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2023 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the consolidated financial statements has not yet been determined.

3. CONCENTRATION OF RISK

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to $250,000 per institution. At June 30, 2021 and 2020, approximately $1,384,000 and $1,172,000, respectively, of cash on deposit at banks was not covered by FDIC insurance. Investments held by 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 Organization's investments are on deposit at a brokerage institution that provides additional insurance above SIPC limits. At June 30, 2021 and 2020, the Organization had approximately $2,444,000 and $2,033,000 of investments in excess of SIPC limitations, respectively.

4. LIQUIDITY AND AVAILABILITY OF FUNDS

The Organization's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows.

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	$ 2,027,051	$ 2,024,170
Grants and accounts receivable, net	1,704,111	2,132,358
Investments	2,598,433	1,832,363
Total financial assets	6,329,595	5,988,891
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(15,228)	(4,230)
Financial assets available to meet general expenditures over the next twelve months	$ 6,314,367	$ 5,984,661

As part of the Organization's liquidity management plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, CFR has established lines of credit in the amounts of $1,500,000 and $345,000, upon which it could draw.

5. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consist of the following at June 30:

	2021	2020
Arizona Department of Economic Security and Arizona Department of Child Safety	$ 581,794	$ 1,076,919
Arizona First Things First	723,345	458,981
Arizona Department of Education	204,458	253,214
Other governmental agencies	160,181	341,626
Other receivables	44,333	11,621
Total grants and accounts receivable	1,714,111	2,142,358
Less: allowance for doubtful accounts	(10,000)	(10,000)
Total grants and accounts receivable, net	$ 1,704,111	$ 2,132,358

(continued)

6. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30:

	2021	2020
Certificates of Deposit	$ 1,749,999	$ 1,200,082
Mutual Funds:		
Long government	58,092	44,356
Diversified emerging markets	71,612	50,884
Small blend	370,828	255,749
Small growth	57,974	38,478
Government securities	183,617	133,314
Corporate bonds	106,311	109,500
Total investments	$ 2,598,433	$ 1,832,363

7. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establishes 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 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for similar assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair values using Level 1 input because they generally provide the most reliable evidence of fair value.

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.

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 asset (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.

(continued)

7. **FAIR VALUE MEASUREMENTS** (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 and 2020.

Certificates of Deposit: Valued at amortized cost, which approximates fair value based on terms and current yields.

Stocks, Bonds, Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values investment assets measured on a recurring basis at June 30, 2021 are:

	Fair Value Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 1,749,999	$ -	$ 1,749,999
Mutual Funds:				
Long government	58,092	-	-	58,092
Diversified emerging markets	71,612	-	-	71,612
Small blend	370,828	-	-	370,828
Small growth	57,974	-	-	57,974
Government securities	183,617	-	-	183,617
Corporate bonds	106,311	-	-	106,311
Total	$ 848,434	$ 1,749,999	$ -	$ 2,598,433

(continued)

7. FAIR VALUE MEASUREMENTS (continued)

Fair values investment assets measured on a recurring basis at June 30, 2020 are:

	Fair Value Measurements at Reporting Date Using:			
	Level 1	Level 2	Level 3	Total
Certificates of Deposit	$ -	$ 1,200,082	$ -	$ 1,200,082
Mutual Funds:				
Long government	44,356	-	-	44,356
Diversified emerging markets	50,884	-	-	50,884
Small blend	255,749	-	-	255,749
Small growth	38,478	-	-	38,478
Government securities	133,314	-	-	133,314
Corporate bonds	109,500	-	-	109,500
Total	$ 632,281	$ 1,200,082	$ -	$ 1,832,363

8. NOTE RECEIVABLE - TNS

TNS financed a portion of the sale price on the disposition of a building in May, 2018. The initial value of the note receivable was $50,000, and includes interest at 7%. The note does not include specific maturity date; however, the note calls for monthly installments of $581 or more. If the minimum payment is made on a monthly basis the note will mature in 2028. The note is secured by a mortgage on the building.

Future minimum amounts receivable are as follows for the years ending June 30:

2022	$ 4,416
2023	4,732
2024	5,076
2025	5,441
2026	5,834
Thereafter	12,966
Total	$ 38,465

(continued)

9. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation at June 30, 2021 and 2020, consists of the following:

	2021	2020
Land	$ 423,869	$ 423,869
Buildings and improvements	3,210,457	3,210,457
Furniture and equipment	1,882,809	1,828,655
Leasehold improvements	243,169	217,301
Construction-in-progress	425,976	13,313
Total	6,186,279	5,693,595
Less accumulated depreciation	(3,532,846)	(3,374,574)
Net property and equipment	$ 2,653,434	$ 2,319,020

The construction-in-progress represents amounts expended on building improvements associated with the Organization's Broadway Blvd location. As of June 30, 2021, the improvements had not been opened. The improvements are scheduled to be completed in October 2021.

10. LINES OF CREDIT

CFR has a revolving line of credit with a maximum draw of $1,500,000, with Wells Fargo Bank, which matures January 20, 2022. Variable interest is payable monthly at the prime rate of interest plus 1.25% (4.50% at June 30, 2021). If CFR defaults on any terms of the line of credit, the interest rate increases to the prime rate plus 4%. The line of credit is primarily collateralized by a deed of trust. There was no outstanding balance at June 30, 2021 and 2020. Under the terms of this agreement, CFR is required to maintain a debt coverage ratio of at least 1.25:1. At June 30, 2021 and 2020, CFR was in compliance with the debt coverage ratio.

CFR has a portfolio loan account, with a maximum draw of $345,000, with Morgan Stanley Bank, N.A., which is collateralized by investments held by Morgan Stanley. Interest is payable monthly at 3.65%. There were no outstanding balances at June 30, 2021 and 2020.

(continued)

11. NOTES PAYABLE

The notes payable consists of the following at June 30:

	2021	2020
CFR mortgage, due in monthly installments of $3,907 through April 2029, including interest at 4.75%, collateralized by a deed of trust on real property.	$ 249,791	$ 283,750
Less current portion	(35,827)	(34,168)
Non-current portion	$ 213,964	$ 249,582

Principal maturities of the note payable are as follows at June 30:

2022	$ 35,827
2023	37,567
2024	39,390
2025	41,303
2026	43,308
Thereafter	52,396
Total	$ 249,791

12. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On May 8, 2020, CFR qualified for and received a loan pursuant to the Paycheck Protection Program ("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 $1,726,600. Under the terms of the agreement, the loan is unsecured, there are no payments due and interest does not accrue during the period from the loan date through the date the SBA determines the loan forgiveness amount. If applicable, interest will accrue at the rate of 1.0% per annum. CFR may apply for forgiveness of the total loan amount, by providing evidence that the loan proceeds were used to fund eligible costs, during either an eight or twenty-four week period, and that additional criteria for forgiveness have been met. Any amount not forgiven will be payable, in full and including interest, on May 8, 2022; however, CFR may negotiate with the lender to extend the maturity date to May 8, 2025.

During the year ended June 30, 2021, CFR successfully applied for forgiveness of the loan. CFR received forgiveness of $1,726,600, which was recorded as revenue for the year ended June 30, 2021.

(continued)

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes for the years ended June 30:

	2021	2020
Connie Hillman Foundation	$ 10,000	$ -
Graham County Resource Center	4,230	4,230
AAA Foundation	998	-
Total net assets with donor restrictions	$ 15,228	$ 4,230

14. OPERATING LEASES

CFR has 12 facility and 17 office equipment leases for their programs and administrative offices under non-cancelable, long-term operating leases with various expirations through June 2030. Two of the leases contain a one-year renewal. All of the facility leases, except for the thrift store, allow cancellation with 30 to 90 days' notice if CFR can prove loss of grant funding for programs operated out of those locations. The facility lease for the thrift store allows for early termination upon the 5th anniversary of the lease commencement. If early termination is exercised, CFR may be required to reimburse the landlord for any unamortized lease commissions. During the years ended June 30, 2021 and 2020, total rent and usage expense under these agreements was $773,577 and $686,455, respectively.

Future minimum lease payments under these leases are as follows for the years ending June 30:

2022	$ 437,949
2023	380,688
2024	328,929
2025	284,607
Thereafter	868,068
Total	$ 2,300,241

CFR has two sublease agreements to rent out a portion of its facilities. These leases are on a month-to-month basis. Total sublease income during the years ended June 30, 2021 and 2020, was $26,820 and $26,820, respectively, and is included in other revenue.

(continued)

15. PENSION PLAN

The Organization maintains a defined contribution pension plan (the "Plan"). The Plan allows eligible employees to contribute a portion of their wages on a pretax basis into the Plan. The Plan also allows for discretionary matching and/or profit sharing contributions by CFR. The Organization's contributions under the Plan totaled $99,146 and $69,230 for the years ended June 30, 2021 and 2020, respectively.

16. GRANTS FROM GOVERNMENTAL AGENCIES

Revenue from contracts with governmental agencies consists of the following for the years ended June 30:

	2021	2020
Arizona Department of Economic Security and Arizona Department of Child Safety	$ 6,068,586	$ 5,496,197
Arizona Department of Education	2,370,868	2,476,642
Arizona First Things First	2,850,899	2,756,189
United Way First Things First	2,526,378	2,497,219
Arizona Department of Health Services	1,193,274	1,163,668
U.S. Department of Health and Human Services	495,134	1,186,814
Pima County	37,777	40,649
Other government contracts	389,247	250,342
Total contracts with governmental agencies	$ 15,932,163	$ 15,867,721

17. COMMITMENTS AND CONTINGENCIES

Contracts with Governmental Agencies

The Organization participates in a number of federal, state, and local grant programs. 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. Some of the governmental contracts are also subject to termination for convenience clauses. The Organization has received no such termination notices.

Litigation

From time-to-time, the Organization may become involved in certain legal proceedings and claims which arise in the normal course of business. Management does not believe that the outcome of these matters will have a material effect on the Organization's financial position.

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17. COMMITMENTS AND CONTINGENCIES (continued)

Health Benefits and Group Captive Pool

The Organization provides health benefits to its employees through participation in a captive group pool for coverage of claims. As an investor and participant in a group captive pool, the Organization shares in group losses that may exceed amounts that have been invested in the pool for such losses. The investment in the group captive pool is accounted for using the equity method of accounting.

COVID-19 Pandemic

During the year ended June 30, 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There have been mandates from federal, state, and local authorities requiring forced closures of many businesses and organizations. These forced closures could negatively impact the Organization's revenue and costs. While the closures and limitations are expected to be temporary, the duration of the disruption and related financial impact, cannot be estimated at this time. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread, the impact could have a material adverse effect on the Organization's financial position, activities, and cash flow.

18. INVESTMENT IN AHRIC

In June 2020, CFR became a subscriber to the Arizona Health Reciprocal Insurance Company (AHRIC), which is a captive insurance company licensed by the Arizona Department of Insurance. As a subscriber, effective on July 1, 2020, CFR will maintain a self-insured group health plan for the benefit of its employees. The investment is recorded using the equity method which is comprised of the initial subscription price paid with subsequent increases or decreases of CFR's capital account based on its proportionate share of the net profit or loss of AHRIC in accordance with ASC 958-810-15. The balance of the investment in AHRIC was $192,081 and $118,287 at June 30, 2021 and 2020, respectively. CFR recorded a gain of $73,794 on this investment during the year ended June 30, 2021.

19. SUBSEQUENT EVENTS

Management evaluated subsequent events through November 15, 2021, which is the date on which the consolidated financial statements were available to be issued.