

Human Services Campus, Inc & Affiliates

**Consolidated Financial Statements,
Independent Auditor's Report And
Supplementary Schedules**

Years Ended June 30, 2020 and 2019



Human Services Campus, Inc & Affiliates
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June 30, 2020

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Independent Auditor's Report

To the Board of Directors
Human Services Campus, Inc & Affiliates
Phoenix, AZ

We have audited the accompanying consolidated financial statements of Human Services Campus, Inc & Affiliates, nonprofit organizations, which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the 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 the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Human Services Campus, Inc & Affiliates, as of June 30, 2020 and 2019, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedules of Financial Position, Schedule of Activities and Schedule of Expenses on pages 24, 25 and 26, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Snyder & Butler, CPAs, PLLC
Tempe, Arizona
March 18, 2021

Human Services Campus, Inc & Affiliates
Consolidated Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 2,427,257	\$ 650,617
Accounts receivable	37,680	83,661
Grants receivable	387,041	-
Promises to give – current	200,000	165,000
Prepaid expenses	2,562	31,738
Inventory	78,783	-
Total current assets	3,133,323	931,016
Assets restricted to endowment fund:		
Cash	38,557	450,460
Investments	1,886,730	1,565,077
Promises to give – long term, net	7,325,482	65,000
Property and equipment, net	27,597,875	28,182,198
Total assets	\$ 39,981,967	\$ 31,193,751
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 277,888	\$ 86,705
Accrued liabilities	175,198	102,502
Deposits due to tenants	13,048	13,048
Grant payable	41,435	41,435
Paycheck protection program loan	325,300	-
Total current liabilities	832,869	243,690
Net assets:		
Without donor restrictions	27,846,649	28,426,439
With donor restrictions	11,302,449	2,523,622
Total net assets	39,149,098	30,950,061
Total liabilities and net assets	\$ 39,981,967	\$ 31,193,751

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Activities
For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions	\$ 2,334,129	\$ 9,327,162	\$ 11,661,291	\$ 2,058,589	\$ 530,000	\$ 2,588,589
Government grants	1,560,447	-	1,560,447	1,020,857	-	1,020,857
Rental income	667,741	-	667,741	654,244	-	654,244
Gifts-in-kind	266,806	-	266,806	-	-	-
Donated services	13,799	-	13,799	13,626	-	13,626
Net investment return (loss)	(90,248)	-	(90,248)	(21,109)	-	(21,109)
Net assets released from restrictions	548,335	(548,335)	-	25,556	(25,556)	-
	<u>5,301,009</u>	<u>8,778,827</u>	<u>14,079,836</u>	<u>3,751,763</u>	<u>504,444</u>	<u>4,256,207</u>
Total revenue, gains and other support						
Expenses						
Program services	5,048,886	-	5,048,886	3,919,617	-	3,919,617
Management services	580,380	-	580,380	599,914	-	599,914
Fundraising services	251,533	-	251,533	206,225	-	206,225
	<u>5,880,799</u>	<u>-</u>	<u>5,880,799</u>	<u>4,725,756</u>	<u>-</u>	<u>4,725,756</u>
Total expenses						
Change in net assets	(579,790)	8,778,827	8,199,037	(973,993)	504,444	(469,549)
Net assets, beginning of year	28,426,439	2,523,622	30,950,061	29,400,432	2,019,178	31,419,610
Net assets, end of year	<u>\$ 27,846,649</u>	<u>\$ 11,302,449</u>	<u>\$ 39,149,098</u>	<u>\$ 28,426,439</u>	<u>\$ 2,523,622</u>	<u>\$ 30,950,061</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

	2020								
	Program Services					Supporting Services			
	Welcome Center	Navigation and Housing Match	Day Room	Campus Operations	Mail Room	Total Program Services	Management	Fundraising	Total
Personnel expense:									
Salaries and wages	\$ 311,257	\$ 322,005	\$ 339,680	\$ 201,444	\$ 37,529	\$ 1,211,915	\$ 233,573	\$ 121,678	\$ 1,567,166
Employee benefits	57,041	47,650	32,308	24,328	8,483	169,810	39,256	7,818	216,884
Payroll taxes	24,431	26,341	24,647	14,946	2,890	93,255	20,517	8,533	122,305
Contracted temporary labor	-	-	57,323	-	-	57,323	90,186	16,666	164,175
Total personnel expense	<u>392,729</u>	<u>395,996</u>	<u>453,958</u>	<u>240,718</u>	<u>48,902</u>	<u>1,532,303</u>	<u>383,532</u>	<u>154,695</u>	<u>2,070,530</u>
Direct client support and supplies	134,623	6,503	349,089	-	-	490,215	-	-	490,215
Security services	28,920	8,996	122,468	712,237	1,340	873,961	17,047	897	891,905
Maintenance and repairs	16,299	6,710	70,168	512,154	846	606,177	8,833	455	615,465
Utilities	9,728	1,324	22,039	104,825	197	138,113	2,508	132	140,753
Depreciation	67,181	13,388	131,762	754,697	1,417	968,445	18,030	949	987,424
Grants	88,118	79,563	47,053	-	10,266	225,000	25,000	-	250,000
Office expenses	12,742	3,878	8,860	5,625	185	31,290	59,275	7,184	97,749
Insurance	4,275	2,654	11,958	61,398	334	80,619	7,083	791	88,493
Marketing and public relations	-	-	-	-	-	-	-	80,432	80,432
Information technology	11,528	10,409	9,106	4,589	1,343	36,975	11,216	1,791	49,982
Equipment leases	8,825	7,968	6,971	3,513	1,028	28,305	6,256	1,371	35,932
Telephone and internet	10,254	8,000	5,974	4,125	1,029	29,382	4,894	937	35,213
Professional fees	-	-	3,340	700	-	4,040	26,371	1,200	31,611
Staff training and development	397	455	3,075	134	-	4,061	10,335	699	15,095
Total expenses	<u>\$ 785,619</u>	<u>\$ 545,844</u>	<u>\$ 1,245,821</u>	<u>\$ 2,404,715</u>	<u>\$ 66,887</u>	<u>\$ 5,048,886</u>	<u>\$ 580,380</u>	<u>\$ 251,533</u>	<u>\$ 5,880,799</u>

(Continued)

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2020 and 2019

(Continued)

	2019								
	Program Services					Supporting Services			
	Welcome Center	Navigation and Housing Match	Day Room	Campus Operations	Mail Room	Total Program Services	Management	Fundraising	Total
Personnel expense:									
Salaries and wages	\$ 287,887	\$ 329,515	\$ 234,701	\$ 100,377	\$ 48,717	\$ 1,001,197	\$ 228,438	\$ 21,229	\$ 1,250,864
Employee benefits	51,118	58,510	41,674	17,825	8,649	177,776	23,421	-	201,197
Payroll taxes	22,284	25,507	18,167	7,770	3,771	77,499	26,453	1,624	105,576
Contracted temporary labor	-	-	-	-	-	-	80,420	-	80,420
Total personnel expense	<u>361,289</u>	<u>413,532</u>	<u>294,542</u>	<u>125,972</u>	<u>61,137</u>	<u>1,256,472</u>	<u>358,732</u>	<u>22,853</u>	<u>1,638,057</u>
Direct client support and supplies	84,455	5,051	25,064	-	-	114,570	-	-	114,570
Security services	13,900	9,648	85,014	496,271	934	605,767	11,880	625	618,272
Maintenance and repairs	32,754	8,782	8,460	496,614	4,771	551,381	8,041	-	559,422
Utilities	9,831	2,636	23,226	129,563	243	165,499	2,777	-	168,276
Depreciation	56,392	15,119	133,225	743,164	1,395	949,295	17,756	934	967,985
Professional fees	-	1,419	12,501	75,154	-	89,074	74,605	115,155	278,834
Insurance	15,628	21,991	23,092	36,101	1,693	98,505	8,682	91	107,278
Information technology	-	-	384	-	-	384	56,789	1,250	58,423
Office expenses	1,280	343	6,501	13,420	-	21,544	28,373	7,886	57,803
Marketing and public relations	-	-	-	-	-	-	-	54,964	54,964
Telephone and internet	1,938	520	4,578	25,587	-	32,623	16,194	539	49,356
Equipment leases	1,681	451	3,971	22,195	-	28,298	7,169	1,024	36,491
Staff training and development	2,687	1,596	1,088	480	354	6,205	8,850	904	15,959
Miscellaneous expenses	-	-	-	-	-	-	66	-	66
Total expenses	<u>\$ 581,835</u>	<u>\$ 481,088</u>	<u>\$ 621,646</u>	<u>\$ 2,164,521</u>	<u>\$ 70,527</u>	<u>\$ 3,919,617</u>	<u>\$ 599,914</u>	<u>\$ 206,225</u>	<u>\$ 4,725,756</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities		
Change in net assets	\$ 8,199,037	\$ (469,549)
Adjustments to change in net assets to net cash provided by operating activities:		
Depreciation	987,424	967,985
Unrealized loss on investments	21,289	87,691
Donated gifts-in-kind inventory	(78,783)	-
Donated equity stock	-	(48,954)
(Increase) decrease in operating assets:		
Accounts receivable	120,981	266,390
Grants receivable	(387,041)	-
Promises to give	(7,370,482)	(155,000)
Prepaid expenses	29,176	6,306
Deposit	-	1,075
Increase (decrease) in operating liabilities:		
Accounts payable	191,183	(23,897)
Accrued liabilities	72,696	25,849
Net cash provided by operating activities	1,785,480	657,896
Cash Flow from Investing Activities		
Purchase of fixed assets	(403,101)	(366,848)
Purchase of securities and reinvestments	(342,942)	(4,363)
Proceeds from sale of securities	-	450,322
Net cash used for investing activities	(746,043)	79,111
Cash Flow from Financing Activities		
Proceeds from paycheck protection program	325,300	-
Net cash provided by financing activities	325,300	-
Net increase in cash	1,364,737	737,007
Cash, beginning of year	1,101,077	364,070
Cash, end of year	\$ 2,465,814	\$ 1,101,077
Supplemental Disclosures		
Noncash Operating transactions:		
Gifts-in-kind - received	\$ 266,806	\$ -
Gifts-in-kind - used	\$ (188,023)	\$ -
Donated services - received and used	\$ 13,799	\$ 13,626
Donated services - received and used	\$ (13,799)	\$ (13,626)

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

Human Services Campus, Inc. (HSC, Inc.) is a 501(c)(3) nonprofit corporation registered in the state of Arizona as of 2017. HSC, Inc. has sole ownership interest of Human Services Campus, LLC (HSC, LLC), an Arizona nonprofit corporation established in 2004. Sole Ownership interest of HSC, LLC was transferred to HSC, Inc. as of April 1, 2016. HSC, Inc. also maintains controlling financial interest in Lodestar Day Resource Center, Inc. (LDRC). LDRC is a 501(c)(3) non-profit corporation registered in the state of Arizona as of 2007. As of January 1, 2019, all programs operated by LDRC were transferred to HSC, Inc.

HSC, Inc., HSC, LLC and LDRC, collectively “the Organization,” were established to use the power of collaboration to provide solutions to end homelessness. The Organization is guided by a belief in dignity, diversity, innovation, creativity, empowerment, community, responsibility, and collaboration. It serves as a gateway for individuals to access an extensive array of human services needed to begin the transformation from crisis to stability and self-sufficiency. In addition to providing client programs, the Organization owns and operates a thirteen-acre campus and collaborates with partner-tenants to provide complementary, holistic services, all located on a thirteen-acre campus. The Organization provides physical facilities, security, navigation, and assessment services.

The Organization convenes fifteen agencies who reside on the campus plus other non-profit organizations throughout Maricopa County. Through a collaborative approach the Organization offers daily access to social support services, job assistance, convenience items, behavioral health, legal services and more. Public and private partnerships have been and continue to be the backbone of the organization and contribute to its success.

The Organization’s programs currently consist of the following:

Welcome Center:

The Brian Garcia Welcome Center (Welcome Center) is the front door to the Organization and coordinates the coordinated entry programs across Maricopa County. The Welcome Center provides each client with diversion, assessment, resources, and service referrals with the primary goal of resolving homelessness through a client-centered approach. The Organization connect clients to appropriate services that include: mental, dental and physical health, substance abuse treatment, employment assistance, shelter, housing and more.

Navigation and Housing Match:

Clients that are ready for a housing match are assigned a Navigator. The Navigator provides case management and housing services. They assist each client with navigating the various services provided by the Organization and its partners as well as assisting clients with acquiring affordable housing. As the local lead for single adults coordinated entry HSC also convenes a network of coordinated entry access points across Maricopa County. The Organization is responsible for ensuring high quality intake and assessment across this network. The Organization manages the county wide by-name lists, holds weekly case conferencing sessions and refers clients to housing programs.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Day Room:

The Organization's Lodestar Day Resource Center (Day Room) operates as a central hub for the Organization's and partner services. Case workers meet at this location to provide Navigation and Housing Match services and case conferencing. The Day Room also manages a client clothing closet and weather relief for clients, as well as campus showers.

Campus Operations:

The Organization's thirteen-acre campus provides an area for its clients to receive services from the Organization and its partners. The Campus' grounds and facilities require regular upkeep, repairs and maintenance in order to offer safe access to services.

Mail Room:

The Organization operates a mail room under a contract with the United State Postal Service. It is designated for people experiencing homelessness. Having an actual street address is a significant and crucial benefit in helping clients obtain employment and housing.

Principles of Consolidation

The accompanying consolidated financial statements include the account of HSC, Inc, HSC, LLC and LDRC. All material intercompany balances and transactions have been eliminated in the consolidated financial statements.

Basis of Accounting

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

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

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

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

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

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for purchases and sales of investments and are excluded from this definition.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. At June 30, 2020 and 2019, the Organization had cash and cash equivalents that exceeded federally insured limits totaling \$1,980,622 and \$119,143, respectively. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable

Accounts receivable are amounts due from program service invoices and they are stated at the amount management expects to collect from outstanding balances. 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 account receivable. Changes in the valuation have not been material the financial statements. At June 30, 2020 and 2019, all amounts were considered to be fully collectible.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances due from government agencies for services performed. The amounts are considered fully collectible at June 30, 2020.

Promises to Give (Pledges Receivable)

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

Inventory

Inventory consists of donated clothing, bottled water hygiene items, and personal protective equipment received and not distributed at year end. Inventory is carried at fair value at the date of donation.

Investments

Investments are measured at fair value in the consolidated statement of financial position. Investments are recorded at fair value as determined by quoted prices in active markets or other valuation inputs. Investment income or loss (including realized and unrealized gains and losses, net of investment expenses) is included in the change in net assets without donor restrictions in the accompanying consolidated statement of activities, unless the income or loss is restricted by the donor or law.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset in excess of \$5,000. Property and equipment is carried at cost or fair value at the date of donation. Depreciation is recognized using the straight-line method over the assets' estimated life as follows:

Building	30	Years
Land	-0-	Years
Furniture, fixtures and equipment	5-30	Years
Vehicles	3-4	Years

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulate depreciation are removed from the accounts and gains and losses are included in operations.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators are present.

Income Taxes

HSC, Inc., HSC, LLC and LDRC are all public charity, nonprofit organizations as defined in the Internal Revenue Code Section 501(c)(3) and are therefore exempt from federal and state income taxes. It is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. HSC, Inc., HSC, LLC and LDRC have processes presently in place to ensure they maintain their tax-exempt status; to identify and report unrelated income; to determine filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions.

HSC, Inc., HSC, LLC and LDRC have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

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

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis, as follows:

<u>Expense</u>	<u>Method of Allocation</u>
Executive and management Staff: Salaries, wages, employee benefits, and payroll taxes	Time and Effort
Security services, facilities and maintenance, utilities, insurance, and depreciation	Square Footage
Equipment leases	Full Time Equivalent

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding source and clients in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018.

During fiscal year 2020, the Organization adopted ASU No. 2018-08, *Not for Profit Entities – Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional.

The majority of the Organization's revenue consist of contributions and agreements with funding sources. The timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standards. No changes were required to previously reported revenue as a result of the adoption.

Rental Income

The Organization rents portions of its facility to Campus partners. Rental income is recognized when earned.

Government Grants

The Organization receives various cost reimbursement grant agreements. The Organization recognizes grant revenue as expenses are incurred. A receivable is recognized to the extent that services are provided but yet to be collectible. The grantor may at their discretion request reimbursement for expenses or return of funds, or both by The Organization as a result of noncompliance with the terms of the grant.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributed property and equipment

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization receives donated time from volunteers to assist with program services.

Recent Accounting Guidance

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the consolidated statement of activities. The effective date for this standard has been delayed to annual reporting periods beginning after December 15, 2021.

Endowment

The Organization's endowment (the Endowment) consists of approximately three individual funds established by donors to provide annual funding for specific activities and general operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Arizona's Management of Charitable Funds Act (MCFA), a version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2020 and 2019, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment Return Objectives, Risk Parameters and Strategies – The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceed the annual distribution with acceptable levels of risk. Under this policy, endowment assets are invested in well-diversified asset mix, which include, but are not limited to equities, bond funds, equity funds, alternative investments and cash equivalents. The Organization's spending and investment policies work together to achieve this objective.

Spending Policy – The Organization's annual utilizations are at the discretion of the Board unless specific instructions were provided by the endowment donors. The current spending policy allows for distributions each year not to exceed 5% of the annual three-year average market value of the endowment.

Underwater Endowments – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the MCFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in approximately three donor-restricted endowment funds, which together have an original gift value of \$2,015,536, a current fair value of \$1,925,287, and a deficiency of \$90,249 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations. The Organization's endowments were not underwater as of June 30, 2019.

The Organization has a policy that does not permit spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board did not appropriate any funds for expenditure from the underwater endowment funds during the year ended June 30, 2020.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data. Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets such as published catalogs, vendors, independent appraisals, and other sources. Methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales can be used.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 1 – Nature of Activities and Summary of Significant Accounting Policies (Continued)

Reclassifications

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

Date of Management's Review

In preparing these consolidated financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through March 18, 2021, the date the consolidated financial statements were available for issuance.

Note 2 – Availability and Liquidity

The Organization receives significant contributions each year from donors which are available to meet annual cash needs for operations. The Organization also receives grant revenue with purpose and time restrictions related to the fulfillment of the objectives under the grant.

The following represents the Organization's financial assets to meet its operations needs as of June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,456,910	\$ 979,912
Accounts receivable	37,680	158,661
Grants receivable	387,041	-
Pledges Receivable, current	200,000	165,000
Less: restricted cash for endowments	<u>(29,653)</u>	<u>(329,295)</u>
Financial assets available to be used within one year	<u>\$ 3,051,978</u>	<u>\$ 974,278</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Organization expects to receive additional assets in the form of contributions and grant throughout the year to meet operational needs.

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Building	\$ 27,567,567	\$ 27,567,567
Land	1,780,000	1,780,000
Furniture, fixtures and equipment	1,014,698	611,597
Vehicles	17,756	17,756
Accumulated depreciation	<u>(2,782,146)</u>	<u>(1,794,722)</u>
	<u>\$ 27,597,875</u>	<u>\$ 28,182,198</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 3 - Property and Equipment (Continued)

Depreciation expense as of June 30, 2020 and 2019 was \$987,424 and \$967,985, respectively.

Note 4 – Promises to Give

Promises to give consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Promises to give due in less than one year	\$ 200,000	\$ 165,000
Promises to give due in two to five years	4,000,000	65,000
Promises to give in more than five years	4,000,000	-
Total promises to give	<u>8,200,000</u>	<u>230,000</u>
Discount to present value	(674,518)	-
Total promises to give, net of discount	<u>7,525,482</u>	<u>230,000</u>
Less: current portion of promises to give	(200,000)	(165,000)
Promises to give, net of current	<u><u>\$ 7,325,482</u></u>	<u><u>\$ 65,000</u></u>

The estimated future cash flows for pledges receivable are discounted over the collection period using a discount rate of 2%.

Note 5 – Accrued Liabilities

Accrued liabilities consisted of the following at June 30:

	<u>2020</u>	<u>2019</u>
Accrued payroll	\$ 90,064	\$ 48,661
Accrued compensated absences	85,134	53,841
	<u><u>\$ 175,198</u></u>	<u><u>\$ 102,502</u></u>

Note 6 – Paycheck Protection Program Loan

In April of 2020, the Organization was approved for a \$325,300 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government. As of March 1, 2021, the Organization had used all funds and received notification that the total amount had been forgiven.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 7 – Subsequent Events

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, as of March 31, 2020, Governor Doug Ducey ordered the closure of the physical location of every “non-essential” business for what may be an extended period of time. There has been no immediate impact to the Organization’s operations other than continued disruptions and/or restrictions on our employees’ ability to work and impairment of our ability to obtain contributions and volunteers. The future effects of these issues are unknown. The Organization remains open through the pandemic, not missing one single day of service as the Governor of Arizona included homeless service providers as essential services.

Note 8 – Operating Leases

The Organization has multiple operating leases, for various copiers. Lease expenses for copiers totaled \$35,288 and \$32,635, respectively, for the years ended June 30, 2020 and 2019.

Approximate minimum future rental payments under these lease agreements are as follows as of June 30, 2020:

<u>Years Ending June 30,</u>	
2021	\$ 28,680
2022	28,680
2023	21,510
Total	<u>\$ 78,870</u>

Note 9 – Lease to Leasee

The Organization has multiple leases with various organizations. The amount due per month and terms vary by organization. Total rental income received as of June 30, 2020 and 2019 was \$667,741 and \$654,244, respectively.

Approximate minimum future rental payments to be received under these lease agreements are as follows as of June 30, 2020:

<u>Years Ending June 30,</u>	
2021	\$ 236,880
2022	146,880
2023	146,880
2024	146,880
2025	146,880
Thereafter	367,200
Total	<u>\$ 1,191,600</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 10 – Investments

The following is a summary of investments measured at fair value and nets asset value on recurring basis as of June 30:

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 8,904	\$ -	\$ -	\$ 8,904
Negotiable certificates of deposit	359,076	-	-	359,076
Mutual funds	1,384,258	-	-	1,384,258
Bond funds	143,396	-	-	143,396
Total investments	<u>\$ 1,895,634</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,895,634</u>

	2019			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 121,165	\$ -	\$ -	\$ 121,165
Negotiable certificates of deposit	374,375	-	-	374,375
Mutual funds	1,053,747	-	-	1,053,747
Bond funds	136,955	-	-	136,955
Total investments	<u>\$ 1,686,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,686,242</u>

Net investment return is summarized as follows for the years ended June 30:

	2020	2019
Interest and dividends	\$ 45,914	\$ 68,818
Unrealized gain/(loss)	(133,549)	(87,691)
Investment fees	(2,613)	(2,236)
Total investment return	<u>\$ (90,248)</u>	<u>\$ (21,109)</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 11 – Endowment Funds

The endowment composition by type of funds consisted of the following at June 30, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted amounts	\$ -	\$ 2,015,536	\$ 2,015,536
Underwater portion of endowments	-	(90,249)	(90,249)
	<u>\$ -</u>	<u>\$ 1,925,287</u>	<u>\$ 1,925,287</u>

The endowment composition by type of funds consisted of the following at June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted amounts	\$ -	\$ 2,015,536	\$ 2,015,536

Change in endowment funds for the years ended June 30, 2020 and 2019 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Fund</u>
Endowment funds, June 30, 2018	\$ -	\$ 2,090,470	\$ 2,090,470
Contributions	-	-	-
Investment income	-	68,818	68,818
Realized and unrealized losses, net	-	(87,691)	(87,691)
Investment fees	-	(2,236)	(2,236)
Amounts appropriated for expenditure	-	(53,825)	(53,825)
Endowment funds, June 30, 2019	<u>\$ -</u>	<u>\$ 2,015,536</u>	<u>\$ 2,015,536</u>
Contributions	-	-	-
Investment income	-	45,914	45,914
Realized and unrealized losses, net	-	(133,550)	(133,550)
Investment fees	-	(2,613)	(2,613)
Amounts appropriated for expenditure	-	-	-
Endowment funds, June 30, 2020	<u>\$ -</u>	<u>\$ 1,925,287</u>	<u>\$ 1,925,287</u>

Note 12 – Concentrations

The Organization received 71% of its cash revenue and 92% of receivables from a single donor, as of June 30, 2020, due to the donor making a large ten year pledge. Concentrations of credit risk with respect to receivables and revenue are limited due to the relationship and history with this donor.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
<u>Time restricted:</u>		
Promises to give	\$ 7,525,482	\$ 230,000
Covid - 19 2020/2021	304,000	-
Campus Operations 2020/2021	1,000,000	-
Administrative Services 2020/2021	12,500	-
Total time restricted	8,841,982	230,000
<u>Purpose restricted:</u>		
Heat relief shelter	80,000	-
Welcome Center and critical client services	455,180	278,086
Total purpose restricted	535,180	278,086
<u>Endowment funds:</u>		
Portion of perpetual endowment funds that are required to be permanently retained	2,015,536	2,015,536
Portion of perpetual endowment funds subject to a restriction under MCFA	(90,249)	-
Total endowment funds	1,925,287	2,015,536
Total net assets with donor restrictions	\$ 11,302,449	\$ 2,523,622

Note 14 – Donated Services and Materials

The Organization received donated materials and time from professionals that the Organization would usually have to pay for the services. The estimated fair value of the donated professional services for the years ending June 30, 2020 and 2019 were \$13,799 and \$13,626, respectively. Contributed services are recorded within the year the services were received as revenue, without donor restrictions, and an equal amount is recorded in program expenses within the consolidated statement of activities resulting in not net impact on the changes in net assets during the year.

The estimated fair value of donated materials as of June 30, follows:

Type	2020	2019
Clothing	\$ 71,388	\$ -
Food and water	35,462	-
Personal protective equipment	60,959	-
Hygiene items	64,706	-
Furniture	30,000	-
Care items	4,291	-
	\$ 266,806	\$ -

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2020 and 2019

Note 14 – Donated Services and Materials (Continued)

Unused gifts in kind received throughout a given year is recorded as inventory at year end and donated goods used within the year are recorded within program services as donated client support and supplies. As of June 30, 2020 the Organization distributed \$188,023 in donated material to clients.

SUPPLEMENTARY SCHEDULES

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Financial Position
June 30, 2020

2020					
	Human Services Campus, Inc.	Campus of Human Services, LLC	Lodestar Day Resource Center, Inc.	Eliminations	Total
Assets					
Current assets:					
Cash	\$ 2,200,969	\$ 216,033	\$ 10,255	\$ -	\$ 2,427,257
Accounts receivable	2,250	35,430	-	-	37,680
Grants receivable	387,041	-	-	-	387,041
Due from affiliate	37,073	-	-	(37,073)	-
Promises to give – current	150,000	50,000	-	-	200,000
Prepaid expenses	2,562	-	-	-	2,562
Inventory	78,783	-	-	-	78,783
Total current assets	2,858,678	301,463	10,255	(37,073)	3,133,323
Assets restricted to endowment fund:					
Cash	29,653	8,904	-	-	38,557
Investments	-	1,886,730	-	-	1,886,730
Promises to give – long term, net	7,325,482	-	-	-	7,325,482
Property and equipment, net	26,287,729	1,310,146	-	-	27,597,875
Total assets	\$ 36,501,542	\$ 3,507,243	\$ 10,255	\$ (37,073)	\$ 39,981,967
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 276,628	\$ 1,260	\$ -	\$ -	\$ 277,888
Accrued liabilities	175,198	-	-	-	175,198
Due to affiliate	-	37,073	-	(37,073)	-
Deposits due to tenants	-	13,048	-	-	13,048
Grant payable	-	-	41,435	-	41,435
Paycheck protection program loan	325,300	-	-	-	325,300
Total current liabilities	777,126	51,381	41,435	(37,073)	832,869
Net assets:					
Without donor restrictions	26,397,254	1,480,575	(31,180)	-	27,846,649
With donor restrictions	9,327,162	1,975,287	-	-	11,302,449
Total net assets	35,724,416	3,455,862	(31,180)	-	39,149,098
Total Liabilities and Net Assets	\$ 36,501,542	\$ 3,507,243	\$ 10,255	\$ (37,073)	\$ 39,981,967

See auditor's report

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Activities
Year Ending June 30, 2020

	2020				
	Human Services Campus, Inc.	Campus of Human Services, LLC	Lodestar Day Resource Center, Inc.	Eliminations	Total
Revenue, Gains and Other Support					
Contributions	\$ 11,662,562	\$ 11,875	\$ 1,854	\$ (15,000)	\$ 11,661,291
Government grants	1,560,447	-	-	-	1,560,447
Rental income	-	667,741	-	-	667,741
Gifts-in-kind	266,806	-	-	-	266,806
Donated services	3,579	10,220	-	-	13,799
Investment return	-	(90,248)	-	-	(90,248)
Total revenue, gains and other support	13,493,394	599,588	1,854	(15,000)	14,079,836
Expenses					
Program services	4,120,792	919,457	23,637	(15,000)	5,048,886
Management services	478,456	97,036	4,888	-	580,380
Fundraising services	250,064	1,469	-	-	251,533
Total expenses	4,849,312	1,017,962	28,525	(15,000)	5,880,799
Change in net assets	8,644,082	(418,374)	(26,671)	-	8,199,037
Net assets, beginning of year	27,080,334	3,874,236	(4,509)	-	30,950,061
Net assets, end of year	\$ 35,724,416	\$ 3,455,862	\$ (31,180)	\$ -	\$ 39,149,098

See auditor's report

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Expenses
Year Ending June 30, 2020

	2020				
	Human Services Campus, Inc.	Campus of Human Services, LLC	Lodestar Day Resource Center, Inc.	Eliminations	Total
Personnel expense:					
Salaries and wages	\$ 1,567,166	\$ -	\$ -	\$ -	\$ 1,567,166
Employee benefits	216,884	-	-	-	216,884
Payroll taxes	122,305	-	-	-	122,305
Contracted temporary labor	104,909	59,266	-	-	164,175
Total personnel expense	<u>2,011,264</u>	<u>59,266</u>	<u>-</u>	<u>-</u>	<u>2,070,530</u>
Direct client support and supplies	482,134	8,081	-	-	490,215
Security services	409,138	482,767	-	-	891,905
Maintenance and repairs	484,349	131,116	-	-	615,465
Utilities	29,886	110,867	-	-	140,753
Depreciation	897,153	90,271	-	-	987,424
Grants	250,000	-	15,000	(15,000)	250,000
Office expenses	83,621	12,282	1,846	-	97,749
Insurance	8,932	69,032	10,529	-	88,493
Marketing and public relations	80,432	-	-	-	80,432
Information technology	27,725	22,257	-	-	49,982
Equipment leases	20,609	15,323	-	-	35,932
Telephone and internet	35,213	-	-	-	35,213
Professional fees	13,761	16,700	1,150	-	31,611
Staff training and development	15,095	-	-	-	15,095
Total Expenses	<u>\$ 4,849,312</u>	<u>\$ 1,017,962</u>	<u>\$ 28,525</u>	<u>\$ (15,000)</u>	<u>\$ 5,880,799</u>

See auditor's report