ARIZONA COALITION TO END HOMELESSNESS

FINANCIAL STATEMENTS
Year Ended June 30, 2014

ARIZONA COALITION TO END HOMELESSNESS

Year Ended June 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Arizona Coalition to End Homelessness:

Report on the Financial Statements

I have audited the accompanying financial statements of Arizona Coalition to End Homelessness (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Coalition to End Homelessness as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

I have previously audited the Arizona Coalition to End Homelessness' 2013 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated May 6, 2014. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gregory Michael Coy, CPA, PLLC

Gregory Michael Coy, CPA, PLLC

Phoenix, AZ

June 25, 2015

ARIZONA COALITION TO END HOMELESSNESS

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with comparative totals at June 30, 2013)

A S S E T S

	2014	2013
CURRENT ASSETS		
Cash & cash equivalents	$ 332,870	$ 173,291
Accounts receivable, net of allowance for doubtful accounts of $4,184 and $4,184 in 2014 and 2013, respectively	22,415	7,126
Contributions receivable	-	5,478
Other current assets	1,953	542
Total current assets	357,238	186,437
PROPERTY AND EQUIPMENT, NET	12,384	3,694
OTHER ASSETS	1,000	1,000
TOTAL ASSETS	$ 370,622	$ 191,131

L I A B I L I T I E S A N D N E T A S S E T S

	2014	2013
CURRENT LIABILTIES		
Accounts payable	$ 118,802	$ 2,453
Accrued expenses	2,843	1,676
Deferred membership revenue	14,511	17,760
Total current liabilities	136,156	21,889
NET ASSETS		
Unrestricted	209,009	111,448
Temporarily restricted net assets	25,457	57,794
TOTAL NET ASSETS	234,466	169,242
TOTAL LIABILITIES AND NET ASSETS	$ 370,622	$ 191,131

ARIZONA COALITION TO END HOMELESSNESS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	Unrestricted	Temporarily Restricted	Total 2014	Total 2013
SUPPORT AND REVENUES				
Support:				
Contributions	$ 17,153	$ 187,656	$ 204,809	$ 213,412
Conference	95,985	58,500	154,485	137,246
Grant and contract revenue	520,636	-	520,636	78,662
Membership dues	30,554	-	30,554	30,869
Special events	7,528	-	7,528	-
Other	518	-	518	1,742
Net assets released from restriction	278,493	(278,493)	-	-
TOTAL SUPPORT & REVENUE	950,867	(32,337)	918,530	461,931
EXPENSES				
Program services:	749,526	-	749,526	427,805
Supporting services:				
Management and general	73,900	-	73,900	55,276
Fundraising	29,880	-	29,880	14,852
Total supporting services	103,780	-	103,780	70,128
TOTAL EXPENSES	853,306	-	853,306	497,933
CHANGE IN NET ASSETS	97,561	(32,337)	65,224	(36,002)
NET ASSETS, BEGINNING OF YEAR	111,448	57,794	169,242	205,244
NET ASSETS, END OF YEAR	$ 209,009	$ 25,457	$ 234,466	$ 169,242

ARIZONA COALITION TO END HOMELESSNESS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

(with comparative totals for the year ended June 30, 2013)

	Program Services					Supporting Services		Totals	
	Conference	Arizona Veterans Standdown	Project H3	Project H3 Vets	Total Program	Management and General	Fundraising and Development	2014	2013
Salaries, wages, taxes and employee benefits	$ 41,825	$ 41,163	$ 2,970	$ 49,685	$ 135,643	$ 40,465	$ 22,899	$ 199,007	$ 153,006
Project H3 Vets expenses	-	-	-	365,811	365,811	-	-	365,811	82,221
Conference expense	92,389	-	-	-	92,389	-	-	92,389	55,611
Standdown expenses	-	90,444	-	-	90,444	-	-	90,444	127,781
Professional outside services	-	9,700	-	-	9,700	12,800	-	22,500	19,768
Dues and subscriptions	1,309	5,976	535	3,973	11,793	3,596	733	16,122	10,060
Rent and utilities	3,347	3,271	205	3,672	10,495	2,710	1,874	15,079	12,590
Travel, meals and entertainment expenses	448	3,629	27	2,569	6,673	4,425	251	11,349	12,776
Bank and merchant fees	1,327	3,486	81	1,456	6,350	1,074	743	8,167	7,002
Equipment and equipment rent	1,250	1,533	77	1,396	4,256	1,012	700	5,968	-
Insurance	1,269	1,240	78	1,392	3,979	1,027	710	5,716	6,771
Materials and supplies expenses	790	834	48	881	2,553	1,371	570	4,494	3,551
Moving	711	695	44	780	2,230	575	398	3,203	-
Phone and internet	533	521	33	585	1,672	432	299	2,403	-
Training	508	496	31	557	1,592	411	284	2,287	1,148
Bad debt	1,520	-	-	-	1,520	-	-	1,520	2,386
Project H3 expenses	-	-	-	-	-	-	-	-	205
Other expense	455	446	28	585	1,514	3,767	256	5,537	1,568
Total expenses before depreciation	147,681	163,434	4,157	433,342	748,614	73,665	29,717	851,996	496,442
Depreciation	291	284	18	319	912	235	163	1,310	1,491
TOTAL EXPENSES	$ 147,972	$ 163,718	$ 4,175	$ 433,661	$ 749,526	$ 73,900	$ 29,880	$ 853,306	$ 497,933

See Accompanying Notes to Financial Statements

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

(with comparative totals at June 30, 2013)

	2014	2013
Cash flow from operating activities:		
Change in net assets	$ 65,224	$ (36,002)
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	1,310	1,491
Changes in operating assets and liabilities:		
Accounts receivable	(15,289)	(1,666)
Contributions receivable	5,478	(5,478)
Other current assets	(1,411)	803
Accounts payable	116,349	(1,340)
Accrued expenses	1,167	(226)
Deferred membership revenue	(3,249)	1,436
Net cash provided (used) by operating activities	169,579	(40,982)
Cash flows from investing activities:		
Purchases of property and equipment	(10,000)	(1,055)
Net cash provided (used) by investing activities	(10,000)	(1,055)
Net increase (decrease) in cash	159,579	(42,037)
Cash at the beginning of the year	173,291	215,328
Cash at the end of the year	$ 332,870	$ 173,291
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Taxes	$ -	$ -

See Accompanying Notes to Financial Statements

(1) Organization operations and summary of significant accounting policies

Nature of operations – The Arizona Coalition to End Homelessness (the Coalition) was formed as a nonprofit corporation in the State of Arizona in March 1998. Its mission is to serve as a leader in the efforts to end homelessness in Arizona through advocacy, education and coordination with local communities. Activities consist of monitoring of and advocating for state and federal policies and laws that affect homeless individuals and families and those people at-risk of homelessness; educating and informing about homelessness and its causes and effective interventions; convening and coordinating initiatives throughout the state that are focused on the issue of homelessness. The Coalition's income is primarily derived from annual conference fees, government contracts, and membership fees.

The significant accounting policies followed by the Coalition are as follows:

Basis of presentation - The financial statement presentation follows *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Coalition is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At June 30, 2014 and 2013, the Coalition had no permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the organization to use all or part of the income earned on related investments for general or specific purposes.

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

Cash & equivalents - Cash includes cash and, at times, cash equivalents consisting of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at cash institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by the FDIC.

Contributions – The Coalition recognizes contributions and support in accordance with *Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. For the years ended June 30, 2014 and 2013, contributions related to the Arizona Veterans Standdown were approximately 16% and 38% of total revenue.

(1) Nature of operations and summary of significant accounting policies (continued)

Donated materials and services - Donated facilities, materials and services are recorded at their estimated values if they enhance the Coalition's nonfinancial assets or require specialized skills that the Coalition would normally purchase, if not provided by donation. During the year ended June 30, 2014 the Coalition had no recognizable donated materials and services. The Coalition utilizes and depends on the services of volunteers to perform a variety of tasks that assist the Coalition with specific programs and fundraising. No amounts have been reflected in the financial statements for these services, since they did not meet the recognition requirements under generally accepted accounting standards.

Contributions receivable - Unconditional promises to give (pledges) 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. 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. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. The Coalition had no contributions receivable at June 30, 2014. At June 30, 2013, contributions receivable were considered to be fully collectible and were due in less than one year. Accordingly, an allowance for doubtful contributions receivable and a discount were not considered necessary at June 30, 2014 and 2013.

Grant and contract revenue – Grant and contract revenue fees represent fees billed to the state of Arizona and other local governmental agencies for services provided by the Coalition. The Coalition recognizes grant and contract revenue received as earned when services are rendered. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Coalition with the terms of the contract. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization's management expects such amounts, if any, to be immaterial.

During 2014, the Coalition received the grants from certain governmental agencies in the approximately the following percentage of total revenue:

Agency A	16%
Agency B	15%
Agency C	11%

Accounts receivable – Accounts receivable consist primarily of amounts due of membership dues receivable and grants receivable from the State of Arizona and other local governmental agencies. As a result, the Coalition is exposed to certain credit risks. The Coalition manages its risk by regularly reviewing its accounts and by providing appropriate allowances for doubtful accounts. Accounts receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to accounts receivable. At June 30, 2014 and 2013, all accounts receivable were due in less than one year.

(1) Nature of operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation - Purchased property and equipment is valued at cost and donated property and equipment is recorded at the fair value at the date of the gift to the Coalition. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the estimated useful lives of 3 to 5 years.

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Coalition reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Coalition reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Impairment of long-lived assets – The Coalition accounts for long-lived assets in accordance with the provisions of *Accounting for the Impairment of Long-Lived Assets.* This accounting standard requires that long-lived assets be reviewed 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 cash flows to be 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 value 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 believes that no long-lived assets have any impairment of value.

Fair value measurements - FASB ASC 820, *Fair Value Measurements and Disclosures* defines fair value, establishes a framework for measuring fair value under U.S. generally accepted accounting principles and enhances disclosures about such fair value measurements. Fair value is defined under FASB ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under FASB ASC 820 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standards describe how to measure fair value based on a three-level hierarchy of inputs, of which the first two are considered observable and the last unobservable.

For the years ended June 30, 2014 and 2013, the Coalition did not have any assets or liabilities subject to fair value measurement other than at initial recognition.

Functional allocation of expenses - The costs of providing programs and other activities have been presented on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to programs and supporting services. Certain costs have been allocated among the program and supporting services benefited based on management's estimate of time and effort devoted to each activity.

(1) Nature of operations and summary of significant accounting policies (continued)

Income tax status - the Coalition qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for income taxes. In addition, the Coalition qualifies for the charitable contribution deduction under Section 170 of the code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Coalition has adopted *Accounting for Uncertainty in Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure. The tax years ended 2011, 2012, and 2013 are still open to audit for both federal and state purposes. The Coalition has processes presently in place to ensure the maintenance of its tax-exempt status; its group exemption; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Coalition has determined there is no impact on the accompanying financial statements related to the adoption of this standard.

Subsequent events - the Coalition evaluated subsequent events after the statement of financial position date of June 30, 2014 through June 25, 2015, which was the date the Coalition’s financial statements were available to be issued. No conditions, other than those described below, were noted that did not exist as of June 30, 2014, but arose subsequent to that date.

- During 2014, the Coalition entered into an operating lease agreement for office space with an organization controlled by a member of the board of directors (a related party). The original term of the lease was from from November 2013 through October 2015 with a monthly lease payment $1,485. During December 2014, the Coalition terminated this lease agreement and began leasing office space from an unrelated organization (see Note 4).
- During December 2014, the Coalition abandoned certain leasehold improvements made to its prior office space. These leasehold improvements were capitalized in 2014, in the amount of $10,000.

(2) Property and equipment

Property and equipment consists of the following:	2014	2013
Cost or donated value:		
Furniture and equipment	$ 12,600	$ 12,600
Tenant Improvements	10,000	-
	22,600	12,600

For the year ended June 30, 2014 and 2013, depreciation expense charged to operations was $1,310 and $1,491, respectively.

During December 2014, the Coalition abandoned certain leasehold improvements made to its prior office space. These leasehold improvements were capitalized in 2014, in the amount of $10,000.

(3) Temporarily restricted net assets

Temporarily restricted net assets consist of the following:

		2014		2013
Purpose restrictions:				
Client expenses	$	25,457	$	52,316
Time restrictions:				
Contributions receivable		-		5,478
Total temporarily restricted net assets	$	25,457	$	57,794

(4) Operating leases

The Coalition leases office space and equipment under operating lease agreements expiring in various years through 2016. During 2013, the Coalition leased office space on a month-to-month basis from an organization controlled by a member of the board of directors (a related party). In November 2013, the Coalition entered into an operating lease agreement expiring in October 2015 for this same office space with the same related party organization. The future minimum operating lease payments on this office space lease are included in the schedule below. The rental expense related to these leases is recorded on a straight-line basis over the lease term.

On December 16, 2014, the Coalition ceased renting office space from the related party organization and entered into a lease agreement with an unrelated organization. The lease is for a term of 39 months with free rent for the first three months. Monthly minimum lease payments from April 2015 to March 2016 are $1,600; from April 2016 to March 2017 are $1,719; and from April 2017 to March 2018 are $1,779.

Minimum future rental payments under non-cancellable operating leases having remaining terms in excess of one year at June 30, 2014 are as follows:

Years ended June 30,		
2015	$	19,980
2016		7,920
Total future minimum lease payments	$	27,900

Total rental expense was $20,761 and $12,237 for the years ended June 30, 2014 and 2013, respectively. In the normal course of business, operating leases are generally renewed or replaced by other leases.