

Human Services Campus, Inc & Affiliates

Consolidated Financial Statements and
Independent Auditor's Report

Years Ended June 30, 2022 and 2021

Report on Schedule of Expenditures
of Federal Awards and Reports Required
by *Government Auditing Standards* and
the Uniform Guidance

Year Ended June 30, 2022



Human Services Campus, Inc & Affiliates
Table of Contents
June 30, 2022 and 2021

	<u>Page No.</u>
Independent Auditor's Report	1 - 3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5
Consolidated Statements of Functional Expenses	6 - 7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9 - 23
Single audit	
Auditor's Section	
Independent Auditor's Report on Internal Control Over Financial Financial Reporting and on Compliance and Other Matters Based on An Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24 - 25
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	26 - 28
Schedule of Findings and Questioned Costs	29 - 31
Organization's Section	
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards	33

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Human Services Campus, Inc & Affiliates (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Human Services Campus, Inc & Affiliates as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Human Services Campus, Inc & Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Services Campus, Inc & Affiliates' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Human Services Campus, Inc & Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Services Campus, Inc & Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and

certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2023, on our consideration of Human Services Campus, Inc & Affiliates' 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 Human Services Campus, Inc & Affiliates' 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 Human Services Campus, Inc & Affiliates' internal control over financial reporting and compliance.

Snyder & Brown CPAs, PLLC

Snyder & Brown, CPAs, PLLC
Tempe, Arizona
February 23, 2023

Human Services Campus, Inc & Affiliates
Consolidated Statements of Financial Position
For the Years Ended June 30, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash	\$ 7,531,362	\$ 1,916,925
Accounts receivable	244,301	20,985
Grants and contributions receivable	1,446,813	1,285,347
Promises to give – current	1,125,000	1,050,000
Prepaid expenses	86,928	14,791
Inventory	60,315	195,422
Total current assets	10,494,719	4,483,470
Assets restricted to endowment fund:		
Cash	29,653	39,575
Investments	2,417,585	2,625,429
Promises to give – long term, net	4,600,962	6,471,991
Property and equipment, net	27,710,977	26,781,346
Total assets	\$ 45,253,896	\$ 40,401,811
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 775,640	\$ 481,893
Accrued liabilities	171,437	145,810
Deposits due to tenants	13,048	13,048
Grant payable	-	41,435
Unearned revenue	3,542,857	-
Total current liabilities	4,502,982	682,186
Net assets:		
Without donor restrictions	31,330,667	28,407,630
With donor restrictions	9,420,247	11,311,995
Total net assets	40,750,914	39,719,625
Total liabilities and net assets	\$ 45,253,896	\$ 40,401,811

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue, Gains and Other Support						
Contributions	\$ 2,933,577	\$ 2,300,000	\$ 5,233,577	\$ 969,558	\$ 2,321,509	\$ 3,291,067
Government grants	6,454,730	113,547	6,568,277	3,693,356	-	3,693,356
Rental income	975,196	-	975,196	651,494	-	651,494
Gifts-in-kind	285,479	-	285,479	824,703	-	824,703
Donated services	-	-	-	3,579	-	3,579
Net investment return (loss)	-	(222,999)	(222,999)	-	739,717	739,717
Miscellaneous income	-	-	-	1,583	-	1,583
Net assets released from restrictions	4,082,296	(4,082,296)	-	3,051,680	(3,051,680)	-
 Total revenue, gains and other support	 <u>14,731,278</u>	 <u>(1,891,748)</u>	 <u>12,839,530</u>	 <u>9,195,953</u>	 <u>9,546</u>	 <u>9,205,499</u>
Expenses						
Program services	10,539,239	-	10,539,239	7,692,670	-	7,692,670
Management services	827,976	-	827,976	647,080	-	647,080
Fundraising services	441,026	-	441,026	295,222	-	295,222
 Total expenses	 <u>11,808,241</u>	 <u>-</u>	 <u>11,808,241</u>	 <u>8,634,972</u>	 <u>-</u>	 <u>8,634,972</u>
 Change in net assets	 2,923,037	 (1,891,748)	 1,031,289	 560,981	 9,546	 570,527
 Net assets, beginning of year	 28,407,630	 11,311,995	 39,719,625	 27,846,649	 11,302,449	 39,149,098
Net assets, end of year	<u>\$ 31,330,667</u>	<u>\$ 9,420,247</u>	<u>\$ 40,750,914</u>	<u>\$ 28,407,630</u>	<u>\$ 11,311,995</u>	<u>\$ 39,719,625</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	2022								
	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	\$ 814,068	\$ 685,584	\$ 737,179	\$ 249,870	\$ 54,642	\$ 2,541,343	\$ 438,636	\$ 217,360	\$ 3,197,339
Employee benefits	142,575	115,350	150,091	59,653	14,865	482,534	94,413	30,388	607,335
Payroll taxes	61,237	52,014	55,085	18,096	4,112	190,544	31,827	16,343	238,714
Contracted temporary labor	-	-	846,949	-	-	846,949	300	-	847,249
	<u>1,017,880</u>	<u>852,948</u>	<u>1,789,304</u>	<u>327,619</u>	<u>73,619</u>	<u>4,061,370</u>	<u>565,176</u>	<u>264,091</u>	<u>4,890,637</u>
Client support and supplies	788,358	108,352	374,590	4,994	-	1,276,294	1,801	-	1,278,095
Security services	348,221	9,767	389,540	767,200	1,455	1,516,183	-	-	1,516,183
Maintenance and repairs	595,727	6,948	324,451	430,775	472	1,358,373	7,377	1,227	1,366,977
Utilities	13,094	353	145,177	42,864	53	201,541	12,813	153	214,507
Depreciation	40,015	11,748	138,909	841,873	1,596	1,034,141	24,723	8,570	1,067,434
Grants	381,849	73,320	53,006	32,654	9,584	550,413	-	-	550,413
Office expenses	11,346	11,404	4,245	7,975	560	35,530	17,933	22,187	75,650
Insurance	14,522	7,095	27,954	78,890	659	129,120	11,561	1,371	142,052
Marketing and public relations	60,000	-	-	-	-	60,000	13,858	136,871	210,729
Information technology	20,404	52,603	30,190	4,594	1,247	109,038	8,084	3,521	120,643
Equipment leases	9,610	7,396	9,829	1,997	620	29,452	3,651	1,194	34,297
Telephone and internet	8,981	5,514	17,179	3,166	204	35,044	1,781	402	37,227
Professional fees	40,167	43,223	2,861	5,885	82	92,218	156,733	828	249,779
Staff training and development	20,797	8,440	20,142	861	282	50,522	2,485	611	53,618
Total expenses	<u>\$ 3,370,971</u>	<u>\$ 1,199,111</u>	<u>\$ 3,327,377</u>	<u>\$ 2,551,347</u>	<u>\$ 90,433</u>	<u>\$10,539,239</u>	<u>\$ 827,976</u>	<u>\$ 441,026</u>	<u>\$11,808,241</u>

(Continued)

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

(Continued)

	2021								
	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	\$ 562,717	\$ 487,793	\$ 397,761	\$ 216,151	\$ 51,784	\$ 1,716,206	\$ 307,361	\$ 150,129	\$ 2,173,696
Employee benefits	60,211	59,489	39,168	35,092	8,306	202,266	54,450	17,285.00	274,001
Payroll taxes	40,724	30,890	26,855	13,817	3,673	115,959	24,862	13,396	154,217
Contracted temporary labor	141,582	-	237,447	-	-	379,029	-	-	379,029
Total personnel expense	<u>805,234</u>	<u>578,172</u>	<u>701,231</u>	<u>265,060</u>	<u>63,763</u>	<u>2,413,460</u>	<u>386,673</u>	<u>180,810</u>	<u>2,980,943</u>
Client support and supplies	590,798	16,526	386,784	-	-	994,108	-	-	994,108
Security services	521,909	6,815	664,652	539,946	1,015	1,734,337	-	-	1,734,337
Maintenance and repairs	140,957	5,172	244,003	531,287	702	922,121	18,463	2,037	942,621
Utilities	13,141	587	94,795	18,679	81	127,283	14,969	172	142,424
Depreciation	39,736	10,641	118,583	837,756	1,585	1,008,301	22,620	(5,378)	1,025,543
Grants	77,362	69,657	50,355	31,025	9,105	237,504	12,496	-	250,000
Office expenses	5,426	1,199	1,340	4,662	167	12,794	17,532	16,809	47,135
Insurance	8,257	6,106	13,419	63,044	822	91,648	11,541	1,446	104,635
Marketing and public relations	-	-	-	-	-	-	250	93,443	93,693
Information technology	19,326	12,766	15,854	6,506	1,460	55,912	9,170	2,398	67,480
Equipment leases	8,516	7,614	6,068	3,509	1,006	26,713	5,079	1,583	33,375
Telephone and internet	8,360	4,425	11,649	3,497	369	28,300	1,772	591	30,663
Professional fees	11,702	10,392	9,868	4,134	2	36,098	134,520	1,311	171,929
Staff training and development	1,918	684	1,382	107	-	4,091	11,995	-	16,086
Total expenses	<u>\$ 2,252,642</u>	<u>\$ 730,756</u>	<u>\$ 2,319,983</u>	<u>\$ 2,309,212</u>	<u>\$ 80,077</u>	<u>\$ 7,692,670</u>	<u>\$ 647,080</u>	<u>\$ 295,222</u>	<u>\$ 8,634,972</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flow from Operating Activities		
Change in net assets	\$ 1,031,289	\$ 570,527
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,067,434	1,025,544
Unrealized loss on investments	326,683	(395,757)
Forgiveness of Paycheck Protection Program loan		(325,300)
(Increase) decrease in operating assets:		
Accounts receivable	(223,316)	16,695
Grants receivable	(161,466)	(898,306)
Promises to give	1,796,029	3,491
Prepaid expenses	(72,137)	(12,229)
Inventory	135,107	(116,639)
Increase (decrease) in operating liabilities:		
Accounts payable	293,747	204,005
Accrued liabilities	25,627	(29,388)
Grants payable	(41,435)	-
Deferred revenue	3,542,857	-
Net cash provided by operating activities	7,720,419	42,643
 Cash Flow from Investing Activities		
Purchase of fixed assets	(1,997,065)	(209,015)
Purchase of securities and reinvestments	(308,819)	(342,942)
Sales of securities and reinvestments	189,980	-
Net cash (used in) investing activities	(2,115,904)	(551,957)
 Net increase (decrease) in cash	5,604,515	(509,314)
Cash, beginning of year	1,956,500	2,465,814
Cash, end of year	\$ 7,561,015	\$ 1,956,500
 Supplemental Disclosures		
Noncash Operating transactions:		
Gifts-in-kind - received	\$ 285,479	\$ 824,703
Gifts-in-kind - used	(420,586)	(708,064)
Donated services - received and used	-	3,579
Donated services - received and used	-	(3,579)
 The following is a Cash Recap from Statement of Financial Position:		
Current assets - cash	\$ 7,531,362	\$ 1,916,925
Assets restricted to endowment fund - cash	29,653	39,575
Total cash	\$ 7,561,015	\$ 1,956,500

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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. during fiscal year 2021 and through March 31, 2022 had sole ownership interest of Human Services Campus, LLC (HSC, LLC), and Lodestar Day Resource Center, Inc. (LDRC), both nonprofit organizations. As of March 31, 2022 these organizations were disbanded and all assets and liabilities were transferred to HSC, Inc. As a result, HSC, Inc's financial statements are consolidated with these organizations for fiscal year 2021 and 2022.

HSC, Inc., "the Organization," was 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 the 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 medical, dental, housing assistance, social support services, job assistance, 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, housing and service referrals with the primary goal of resolving homelessness through a client-centered approach. The Organization connects 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 and do not have a case manager 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, 2022 and 2021

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 client showers and client storage.

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 States 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, 2022 and 2021

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, 2022 and 2021, the Organization had cash and cash equivalents that exceeded federally insured limits totaling \$7,088,878 and \$1,669,056, 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, 2022 and 2021, all amounts were considered to be fully collectible.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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

Grants and Contributions 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, 2022 and 2021.

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.

Deferred Revenue

Deferred revenue in the financial statements results from conditional grants and contributions for which funding was received before the conditions have been satisfied.

Inventory

Inventory consists of donated clothing, shoes, 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
Computers and software	5	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, 2022 and 2021

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, Workers' Compensation Insurance, IT and Network Administrative Services	Full Time Equivalent

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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.

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. Advances of government grant funds are generally considered conditional and therefore reported as deferred revenue in the financial statements.

Contributions

Unconditional 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 with significant barriers are considered conditional and are reported as deferred revenue when advance funding is received. 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, 2022 and 2021

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, fundraising, 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, 2022 and 2021, 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 MCFA.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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, at June 30, 2022 and 2021. The Organization's endowments were not underwater as of June 30, 2022 and 2021.

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 endowment funds during the years ended June 30, 2022 and 2021.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

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, 2022 and 2021

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 February 23, 2023, 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 available to meet its operations needs as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 7,561,015	\$ 1,956,500
Accounts receivable	244,301	20,985
Grants receivable	1,446,813	1,285,347
Pledges Receivable, current	1,125,000	1,050,000
Less: restricted cash for endowments	<u>(29,653)</u>	<u>(39,575)</u>
Financial assets available to be used within one year	<u>\$ 10,347,476</u>	<u>\$ 4,273,257</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.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Building	\$ 27,468,081	\$ 27,468,081
Land	1,780,000	1,780,000
Furniture, fixtures and equipment	2,828,199	980,903
Vehicles	104,209	17,756
Computers and software	68,316	5,000
Accumulated depreciation	<u>(4,537,828)</u>	<u>(3,470,394)</u>
	<u>\$ 27,710,977</u>	<u>\$ 26,781,346</u>

Depreciation expense as of June 30, 2022 and 2021 was \$1,067,434 and \$1,025,543, respectively.

Note 4 – Promises to Give

Promises to give consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Promises to give due in less than one year	\$ 1,125,000	\$ 1,050,000
Promises to give due in two to five years	4,140,000	4,000,000
Promises to give in more than five years	<u>1,030,000</u>	<u>3,000,000</u>
Total promises to give	6,295,000	8,050,000
Discount to present value	<u>(569,038)</u>	<u>(528,009)</u>
Total promises to give, net of discount	5,725,962	7,521,991
Less: current portion of promises to give	<u>(1,125,000)</u>	<u>(1,050,000)</u>
Promises to give, net of current	<u>\$ 4,600,962</u>	<u>\$ 6,471,991</u>

The estimated future cash flows for pledges receivable are discounted over the collection period using a discount rate of 3% and 2% for fiscal year ending June 30, 2022 and 2021, respectively.

Note 5 – Accrued Liabilities

Accrued liabilities consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Accrued payroll	\$ 31,516	\$ 35,828
Accrued compensated absences	139,921	109,982
	<u>\$ 171,437</u>	<u>\$ 145,810</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 6– Operating Leases

The Organization has multiple operating leases, for various copiers. Total lease expenses for copiers totaled \$34,297 and \$35,142, respectively, for the years ended June 30, 2022 and 2021.

Approximate minimum future rental payments under these lease agreements are as follows as of June 30, 2022:

<u>Years Ending June 30,</u>	
2023	\$ 35,941
2024	14,431
2025	10,823
Total	<u>\$ 61,195</u>

Note 7 – Lease to Leasee

The Organization has multiple leases with various companies. The amount due per month and terms vary by contract. Total rental income received as of June 30, 2022 and 2021 was \$975,196 and \$651,494, respectively.

Approximate minimum future rental payments to be received under these long-term lease agreements are as follows:

<u>Years Ending June 30,</u>	
2023	\$ 677,487
2024	673,707
2025	663,601
2026	662,751
2027	154,860
Thereafter	232,290
Total	<u>\$ 3,064,696</u>

The Organization also has seven month-to-month lease agreements amounting to approximately \$24,000 per month.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 8 – Investments

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

	2022			
	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	\$ 406,438	\$ -	\$ -	\$ 406,438
U.S. Treasury notes and bonds	230,890	-	-	230,890
Mutual funds	1,663,154	-	-	1,663,154
Bond funds	117,103	-	-	117,103
Total investments	\$ 2,417,585	\$ -	\$ -	\$ 2,417,585
	2021			
	Level 1	Level 2	Level 3	Total
Negotiable certificates of deposit	\$ 415,879	\$ -	\$ -	\$ 415,879
Mutual funds	2,058,635	-	-	2,058,635
Bond funds	150,915	-	-	150,915
Total investments	\$ 2,625,429	\$ -	\$ -	\$ 2,625,429

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

	2022	2021
Interest and dividends	\$ 106,452	\$ 8,489
Unrealized gain/(loss)	(326,683)	734,208
Investment fees	(2,768)	(2,980)
Total investment return (loss)	\$ (222,999)	\$ 739,717

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 9 – Endowment Funds

The endowment composition by type of funds consisted of the following at June 30, 2022:

	<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
Accumulated investment earnings	-	431,702	431,702
	<u>\$ -</u>	<u>\$ 2,447,238</u>	<u>\$ 2,447,238</u>

The endowment composition by type of funds consisted of the following at June 30, 2021:

	<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
Accumulated investment earnings	-	649,468	649,468
	<u>\$ -</u>	<u>\$ 2,665,004</u>	<u>\$ 2,665,004</u>

Change in endowment funds for the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Fund</u>
Endowment funds, June 30, 2020	\$ -	\$ 1,925,287	\$ 1,925,287
Contributions	-	-	-
Interest income	-	8,489	8,489
Realized and unrealized losses, net	-	734,208	734,208
Investment fees	-	(2,980)	(2,980)
Amounts appropriated for expenditure	-	-	-
Endowment funds, June 30, 2021	<u>\$ -</u>	<u>\$ 2,665,004</u>	<u>\$ 2,665,004</u>
Contributions	-	-	-
Interest income	-	106,452	106,452
Realized and unrealized losses, net	-	(326,683)	(326,683)
Investment fees	-	(2,768)	(2,768)
Transfers in	-	5,233	-
Endowment funds, June 30, 2022	<u>\$ -</u>	<u>\$ 2,447,238</u>	<u>\$ 2,442,005</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2022 and 2021

Note 10 – Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
<u>Time restricted:</u>		
<u>Time only</u>		
Unrestricted promises to give	\$ 5,525,962	\$ 7,521,991
<u>Time and purpose</u>		
Covid - 19 related	150,000	-
Client Holiday Meal	50,000	-
Sprung shelter	1,000,000	-
Campus Operations 2020/2021	-	1,000,000
Total time restricted	<u>6,725,962</u>	<u>8,521,991</u>
 <u>Purpose restricted:</u>		
Heat relief shelter	-	25,000
Employee hardship pool	133,500	-
Outreach labor and ADA-accessible van accessories	113,547	-
Welcome Center and critical client services	-	100,000
Total purpose restricted	<u>247,047</u>	<u>125,000</u>
 <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	431,702	649,468
Total endowment funds	<u>2,447,238</u>	<u>2,665,004</u>
Total net assets with donor restrictions	<u>\$ 9,420,247</u>	<u>\$ 11,311,995</u>

Note 11 – 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, 2022 and 2021 were \$3,579 and \$13,799, 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 no net impact on the changes in net assets during the year.

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

<u>Type</u>	<u>2022</u>	<u>2021</u>
Clothing	\$ 72,027	\$ 234,238
Food and water	15,626	52,557
Personal protective equipment	80,977	142,055
Hygiene items	91,519	341,287
Furniture	7,367	4,200
Care items	17,963	50,366
	<u>\$ 285,479</u>	<u>\$ 824,703</u>

SINGLE AUDIT SECTION

**Independent auditor's report on internal control over
financial reporting and on compliance and other matters
based on an audit of financial statements performed in
accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the Human Services Campus, Inc & Affiliates (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snyder & Brown CPAs, PLLC

Snyder & Brown, CPAs, PLLC
Tempe, Arizona
February 23, 2023

**Independent Auditor's Report on Compliance for Each Major
Federal Program and on Internal Control Over Compliance
Required by the Uniform Guidance**

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

Opinion on Each Major Federal Program

We have audited Human Services Campus, Inc. & Affiliates' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Human Services Campus, Inc. & Affiliates's major federal programs for the year ended June 30, 2022. Human Services Campus, Inc. & Affiliates' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Human Services Campus, Inc. & Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Human Services Campus, Inc. & Affiliates and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Human Services Campus, Inc. & Affiliates' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Human Services Campus, Inc. & Affiliates' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Human Services Campus, Inc. & Affiliates' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Human Services Campus, Inc. & Affiliates' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Human Services Campus, Inc. & Affiliates' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Human Services Campus, Inc. & Affiliates' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Human Services Campus, Inc. & Affiliates' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

February 23, 2023

**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No (none reported)
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No (none reported)
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.231	Emergency solutions Grant Program
14.267	Continuum of Care Program
21.019	Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Other Matters

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 500.511(b)?	No
---	----

**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II - Financial Statement Findings

None Reported

**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section III - Federal Award Findings and Questioned Costs

None Reported

Human Services Campus, Inc & Affiliates
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

	Assistance Listing Number	Additional Award Identification (Optional)	Name of Funder Pass-Through Entity	Identifying Number(s) Assigned by Funder Pass- Through Entity	Amount Provided To Subrecipients	Expenditures	Federal Program Total
<u>U.S. Department of Housing and Urban Development:</u>							
Emergency solutions Grant Program	14.231	COVID-19	City of Phoenix	154870-0	-	\$ 1,119,512	\$ 1,570,212
Emergency solutions Grant Program	14.231	COVID-19	Arizona Department of Economic Security	DES-HMLS-2A03	-	50,740	1,570,212
Emergency solutions Grant Program	14.231	COVID-19	Arizona Department of Economic Security	DES-HMLS-2B18	-	399,960	1,570,212
Continuum of Care Program	14.267			N/A	-	804,528	804,528
Total U.S. Department of Housing and Urban Development						<u>2,374,740</u>	
<u>U.S. Department of Treasury:</u>							
Coronavirus Relief Fund	21.019	COVID-19	City of Phoenix	154995	-	1,710,401	1,710,401
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19	City of Phoenix		-	329,987	594,873
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19	Maricopa County, Arizona	220148-RFP	-	86,453	594,873
Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19	Maricopa County, Arizona	C-73-22-042-X-00	-	178,433	597,873
Total U.S. Department of Treasury						<u>2,305,274</u>	
<u>U.S. Department of Health and Human Services:</u>							
<u>Block Grants for Prevention and Treatment of Substance Abuse (SABG) - Coronavirus Response and Relief Supplemental Appropriations (CRRSAA)</u>							
Supplemental Appropriations (CRRSAA)	93.959	COVID-19	Mercy Care	FAIN B08T1083525	-	66,135	66,135
Total U.S. Department of Health and Human Services						<u>66,135</u>	
Total Expenditures of Federal Awards:						<u><u>\$ 4,746,149</u></u>	

See Accompanying Notes to Schedule.

Human Services Campus, Inc & Affiliates
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Human Services Campus, Inc & Affiliates (“the Organization”). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 3 – Federal Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2022 Federal Assistance Listings.

NOTE 4 – Indirect Cost Rate

The Organization has elected to use the 10 percent de minimis indirect cost rate as covered in 2 CFR §200.414.