

Human Services Campus, Inc & Affiliates

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

Years Ended June 30, 2021 and 2020

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

Year Ended June 30, 2021



Human Services Campus, Inc & Affiliates
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June 30, 2021 and 2020

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Human Services Campus, Inc & Affiliates, nonprofit organizations, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related consolidated notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Human Services Campus, Inc & Affiliates, as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedules of Financial Position, Schedule of Activities and Schedule of Expenses on pages 25, 26 and 27, respectively, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Matters

Other 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 information 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 January 25, 2022 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 the 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
January 25, 2022

Human Services Campus, Inc & Affiliates
Consolidated Statements of Financial Position
For the Years Ended June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash	\$ 1,916,925	\$ 2,427,257
Accounts receivable	20,985	37,680
Grants receivable	1,285,347	387,041
Promises to give – current	1,050,000	200,000
Prepaid expenses	14,791	2,562
Inventory	195,422	78,783
Total current assets	4,483,470	3,133,323
Assets restricted to endowment fund:		
Cash	39,575	38,557
Investments	2,625,429	1,886,730
Promises to give – long term, net	6,471,991	7,325,482
Property and equipment, net	26,781,346	27,597,875
Total assets	\$ 40,401,811	\$ 39,981,967
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 481,893	\$ 277,888
Accrued liabilities	145,810	175,198
Deposits due to tenants	13,048	13,048
Grant payable	41,435	41,435
Paycheck protection program loan	-	325,300
Total current liabilities	682,186	832,869
Net assets:		
Without donor restrictions	28,407,630	27,846,649
With donor restrictions	11,311,995	11,302,449
Total net assets	39,719,625	39,149,098
Total liabilities and net assets	\$ 40,401,811	\$ 39,981,967

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Activities
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>			<u>2020</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	\$ 969,558	\$ 2,321,509	\$ 3,291,067	\$ 2,334,129	\$ 9,327,162	\$ 11,661,291
Government grants	3,693,356	-	3,693,356	1,560,447	-	1,560,447
Rental income	651,494	-	651,494	667,741	-	667,741
Gifts-in-kind	824,703	-	824,703	266,806	-	266,806
Donated services	3,579	-	3,579	13,799	-	13,799
Net investment return (loss)	-	739,717	739,717	-	(90,248)	(90,248)
Miscellaneous income	1,583	-	1,583	-	-	-
Net assets released from restrictions	3,051,680	(3,051,680)	-	458,087	(458,087)	-
Total revenue, gains and other support	<u>9,195,953</u>	<u>9,546</u>	<u>9,205,499</u>	<u>5,301,009</u>	<u>8,778,827</u>	<u>14,079,836</u>
Expenses						
Program services	7,683,776	-	7,683,776	5,048,886	-	5,048,886
Management services	645,981	-	645,981	580,380	-	580,380
Fundraising services	305,215	-	305,215	251,533	-	251,533
Total expenses	<u>8,634,972</u>	<u>-</u>	<u>8,634,972</u>	<u>5,880,799</u>	<u>-</u>	<u>5,880,799</u>
Change in net assets	560,981	9,546	570,527	(579,790)	8,778,827	8,199,037
Net assets, beginning of year	27,846,649	11,302,449	39,149,098	28,426,439	2,523,622	30,950,061
Net assets, end of year	<u>\$ 28,407,630</u>	<u>\$ 11,311,995</u>	<u>\$ 39,719,625</u>	<u>\$ 27,846,649</u>	<u>\$ 11,302,449</u>	<u>\$ 39,149,098</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

	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	\$ 307,360	\$ 150,129	\$ 2,173,695
Employee benefits	60,211	59,489	39,168	35,092	8,306	202,266	54,450	17,285	274,001
Payroll taxes	40,724	30,890	26,855	13,817	3,673	115,959	24,863	13,396	154,218
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	603,597	16,526	371,513	-	-	991,636	-	-	991,636
Security services	521,908	6,815	664,652	539,946	1,015	1,734,336	-	-	1,734,336
Maintenance and repairs	145,373	5,172	244,003	529,341	702	924,591	18,463	2,037	945,091
Utilities	13,141	587	94,795	18,679	81	127,283	14,970	172	142,425
Depreciation	38,048	10,666	113,938	835,203	1,538	999,393	21,536	4,615	1,025,544
Grants	77,362	69,657	50,355	31,025	9,105	237,504	12,496	-	250,000
Office expenses	5,171	1,199	1,612	4,662	167	12,811	17,515	16,809	47,135
Insurance	8,257	6,106	13,419	63,044	822	91,648	11,540	1,446	104,634
Marketing and public relations	-	-	-	-	-	-	250	93,443	93,693
Information technology	19,451	12,766	15,729	6,506	1,460	55,912	9,169	2,398	67,479
Equipment leases	8,516	7,614	6,068	3,509	1,006	26,713	5,080	1,583	33,376
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	2.00	36,098	134,522	1,311	171,931
Staff training and development	1,259	684	2,041	107	-	4,091	11,995	-	16,086
Total expenses	<u>\$ 2,267,379</u>	<u>\$ 730,781</u>	<u>\$ 2,300,873</u>	<u>\$ 2,304,713</u>	<u>\$ 80,030</u>	<u>\$ 7,683,776</u>	<u>\$ 645,981</u>	<u>\$ 305,215</u>	<u>\$ 8,634,972</u>

(Continued)

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2021 and 2020

(Continued)

	2020								
	Program Services					Supporting Services			
	Welcome Center	Navigation and Housing Match	Day Room	Campus Operations	Mail Room	Total Program Services	Management	Fundraising	Total
Personnel expense:									
Salaries and wages	\$ 311,257	\$ 322,005	\$ 339,680	\$ 201,444	\$ 37,529	\$ 1,211,915	\$ 233,573	\$ 121,678	\$ 1,567,166
Employee benefits	57,041	47,650	32,308	24,328	8,483	169,810	39,256	7,818.00	216,884
Payroll taxes	24,431	26,341	24,647	14,946	2,890	93,255	20,517	8,533	122,305
Contracted temporary labor	-	-	57,323	-	-	57,323	90,186	16,666	164,175
Total personnel expense	<u>392,729</u>	<u>395,996</u>	<u>453,958</u>	<u>240,718</u>	<u>48,902</u>	<u>1,532,303</u>	<u>383,532</u>	<u>154,695</u>	<u>2,070,530</u>
Client support and supplies	134,623	6,503	349,089	-	-	490,215	-	-	490,215
Security services	28,920	8,996	122,468	712,237	1,340	873,961	17,047	897	891,905
Maintenance and repairs	16,299	6,710	70,168	512,154	846	606,177	8,833	455	615,465
Utilities	9,728	1,324	22,039	104,825	197	138,113	2,508	132	140,753
Depreciation	67,181	13,388	131,762	754,697	1,417	968,445	18,030	949	987,424
Grants	88,118	79,563	47,053	-	10,266	225,000	25,000	-	250,000
Office expenses	12,742	3,878	8,860	5,625	185	31,290	59,275	7,184	97,749
Insurance	4,275	2,654	11,958	61,398	334	80,619	7,083	791	88,493
Marketing and public relations	-	-	-	-	-	-	-	80,432	80,432
Information technology	11,528	10,409	9,106	4,589	1,343	36,975	11,216	1,791	49,982
Equipment leases	8,825	7,968	6,971	3,513	1,028	28,305	6,256	1,371	35,932
Telephone and internet	10,254	8,000	5,974	4,125	1,029	29,382	4,894	937	35,213
Professional fees	-	-	3,340	700	-	4,040	26,371	1,200	31,611
Staff training and development	397	455	3,075	134	-	4,061	10,335	699	15,095
Total expenses	<u>\$ 785,619</u>	<u>\$ 545,844</u>	<u>\$ 1,245,821</u>	<u>\$ 2,404,715</u>	<u>\$ 66,887</u>	<u>\$ 5,048,886</u>	<u>\$ 580,380</u>	<u>\$ 251,533</u>	<u>\$ 5,880,799</u>

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flow from Operating Activities		
Change in net assets	\$ 570,527	\$ 8,199,037
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,025,544	987,424
Unrealized loss on investments	(395,757)	21,289
Donated gifts-in-kind inventory	(116,639)	(78,783)
Forgiveness of Paycheck Protection Program loan	(325,300)	-
(Increase) decrease in operating assets:		
Accounts receivable	16,695	120,981
Grants receivable	(898,306)	(387,041)
Promises to give	3,491	(7,370,482)
Prepaid expenses	(12,229)	29,176
Increase (decrease) in operating liabilities:		
Accounts payable	204,005	191,183
Accrued liabilities	(29,388)	72,696
Net cash provided by operating activities	42,643	1,785,480
 Cash Flow from Investing Activities		
Purchase of fixed assets	(209,015)	(403,101)
Purchase of securities and reinvestments	(342,942)	(342,942)
Net cash (used in) investing activities	(551,957)	(746,043)
 Cash Flow from Financing Activities		
Proceeds from paycheck protection program	-	325,300
Net cash provided by (used in) financing activities	-	325,300
 Net increase (decrease) in cash	(509,314)	1,364,737
Cash, beginning of year	2,465,814	1,101,077
Cash, end of year	\$ 1,956,500	\$ 2,465,814
 Supplemental Disclosures		
Noncash Operating transactions:		
Gifts-in-kind - received	\$ 824,703	\$ 266,806
Gifts-in-kind - used	\$ (708,064)	\$ 188,023
Donated services - received and used	\$ 3,579	\$ 13,799
Donated services - received and used	\$ (3,579)	\$ (13,799)
 The following is a Cash Recap from Statement of Financial Position:		
Current assets - cash	\$ 1,916,925	\$ 2,427,257
Assets restricted to endowment fund - cash	39,575	38,557
Total cash	\$ 1,956,500	\$ 2,465,814

See accompanying notes to financial statements.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Nature of Activities

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

HSC, Inc., HSC, LLC and LDRC, collectively “the Organization,” were established to use the power of collaboration to provide solutions to end homelessness. The Organization is guided by a belief in dignity, diversity, innovation, creativity, empowerment, community, responsibility, and collaboration. It serves as a gateway for individuals to access an extensive array of human services needed to begin the transformation from crisis to stability and self-sufficiency. In addition to providing client programs, the Organization owns and operates a thirteen-acre campus and collaborates with partner-tenants to provide complementary, holistic services, all located on 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 connect clients to appropriate services that include: mental, dental and physical health, substance abuse treatment, employment assistance, shelter, housing and more.

Navigation and Housing Match:

Clients that are ready for a housing match 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, 2021 and 2020

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.

Campus Operations:

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

Mail Room:

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

Principles of Consolidation

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

Basis of Accounting

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

Basis of Presentation

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

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, the Organization had cash and cash equivalents that exceeded federally insured limits totaling \$1,669,056 and \$1,980,622, 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, 2021 and 2020, all amounts were considered to be fully collectible.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Grants Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances due from government agencies for services performed. The amounts are considered fully collectible at June 30, 2021 and 2020.

Promises to Give (Pledges Receivable)

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

Inventory

Inventory consists of donated clothing, 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, 2021 and 2020

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

Impairment of Long-Lived Assets

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

Income Taxes

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

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

Use of Estimates

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

Functional Expenses

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

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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

Revenue Recognition

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

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

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

Rental Income

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

Government Grants

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

Contributions

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020, 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, 2021 and 2020

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, 2021 and 2020. The Organization's endowments were not underwater as of June 30, 2021. At June 30, 2020 the donor-restricted endowment funds had a fair value of \$1,925,287, and a deficiency of \$90,249. These deficiencies resulted from unfavorable market fluctuations.

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020

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 January 25, 2022, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 1,956,500	\$ 2,465,814
Accounts receivable	20,985	37,680
Grants receivable	1,285,347	387,041
Pledges Receivable, current	1,050,000	200,000
Less: restricted cash for endowments	<u>(39,575)</u>	<u>(38,557)</u>
Financial assets available to be used within one year	<u>\$ 4,273,257</u>	<u>\$ 3,051,978</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 the 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, 2021 and 2020

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Building	\$ 27,468,081	\$ 27,567,567
Land	1,780,000	1,780,000
Furniture, fixtures and equipment	980,903	1,014,698
Vehicles	17,756	17,756
Computers and software	5,000	-
Accumulated depreciation	<u>(3,470,394)</u>	<u>(2,782,146)</u>
	<u>\$ 26,781,346</u>	<u>\$ 27,597,875</u>

Depreciation expense as of June 30, 2021 and 2020 was \$1,025,544 and \$987,424, respectively.

Note 4 – Promises to Give

Promises to give consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Promises to give due in less than one year	\$ 1,050,000	\$ 200,000
Promises to give due in two to five years	4,000,000	4,000,000
Promises to give in more than five years	<u>3,000,000</u>	<u>4,000,000</u>
Total promises to give	8,050,000	8,200,000
Discount to present value	<u>(528,009)</u>	<u>(674,518)</u>
Total promises to give, net of discount	7,521,991	7,525,482
Less: current portion of promises to give	<u>(1,050,000)</u>	<u>(200,000)</u>
Promises to give, net of current	<u>\$ 6,471,991</u>	<u>\$ 7,325,482</u>

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

Note 5 – Accrued Liabilities

Accrued liabilities consisted of the following at June 30:

	<u>2021</u>	<u>2020</u>
Accrued payroll	\$ 35,828	\$ 90,064
Accrued compensated absences	109,982	85,134
	<u>\$ 145,810</u>	<u>\$ 175,198</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 6 – Paycheck Protection Program Loan

In April of 2020, the Organization was approved for a \$325,300 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, but payments are not required to begin for six months after the funding of the loan. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan was uncollateralized and was fully guaranteed by the Federal government. As of March 1, 2021, the Organization had used all funds and received notification that the total amount had been forgiven. The amount has been reported as revenue in the statement of activities under government grants revenue during the year ended June 30, 2021.

Note 7 – Subsequent Events

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

Note 8 – Operating Leases

The Organization has multiple operating leases, for various copiers. Total lease expenses for copiers totaled \$35,142 and \$35,288, respectively, for the years ended June 30, 2021 and 2020.

Approximate minimum future rental payments under these lease agreements are as follows as of June 30, 2021:

<u>Years Ending June 30,</u>	
2022	\$ 46,615
2023	38,569
2024	14,431
2025	13,227
Total	<u>\$ 112,842</u>

Note 9 – Lease to Lessee

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, 2021 and 2020 was \$651,494 and \$667,741, respectively.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 9 – Lease to Leasee (Continued)

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

<u>Years Ending June 30,</u>	
2022	\$ 241,065
2023	151,065
2024	151,065
2025	151,065
2026	151,065
Thereafter	377,663
Total	<u>\$ 1,222,988</u>

Note 10 – Investments

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

	2021			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 415,879	\$ -	\$ -	\$ 415,879
Mutual funds	2,058,635	-	-	2,058,635
Bond funds	150,915	-	-	150,915
Total investments	<u>\$ 2,625,429</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,625,429</u>

	2020			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 359,076	\$ -	\$ -	\$ 359,076
Mutual funds	1,384,258	-	-	1,384,258
Bond funds	143,396	-	-	143,396
Total investments	<u>\$ 1,886,730</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,886,730</u>

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 10 – Investments (Continued)

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

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 8,489	\$ 45,914
Unrealized gain/(loss)	734,208	(133,549)
Investment fees	(2,980)	(2,613)
Total investment return (loss)	<u>\$ 739,717</u>	<u>\$ (90,248)</u>

Note 11 – Endowment Funds

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>

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

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

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 11 – Endowment Funds (Continued)

Change in endowment funds for the years ended June 30, 2021 and 2020 are as follows:

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

Note 12 – Concentrations

The Organization received 10% of its cash revenue from a single donor, due to a donor making a large pledge and 21% of its cash revenue from state grants, as of June 30, 2021. The Organization received 71% of its cash revenue from a single donor, as of June 30, 2020, due to a donor making a large ten year pledge. As of June 30, 2021 and 2020, 85% and 71% of receivables, respectively, were related the two pledges received as of June 30, 2021 and 2020. Concentrations of credit risk with respect to receivables and revenue are limited due to the relationship and history with this donor.

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 13 – Net Assets with Donor Restrictions

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

	2021	2020
<u>Time restricted:</u>		
Promises to give	\$ 7,521,991	\$ 7,525,482
Covid - 19 2020/2021	-	304,000
Campus Operations 2020/2021	1,000,000	1,000,000
Administrative Services 2020/2021	-	12,500
Total time restricted	8,521,991	8,841,982
<u>Purpose restricted:</u>		
Heat relief shelter	25,000	80,000
Welcome Center and critical client services	100,000	455,180
Total purpose restricted	125,000	535,180
<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	649,468	(90,249)
Total endowment funds	2,665,004	1,925,287
Total net assets with donor restrictions	\$ 11,311,995	\$ 11,302,449

Note 14 – Donated Services and Materials

The Organization received donated materials and time from professionals that the Organization would usually have to pay for the services. The estimated fair value of the donated professional services for the years ending June 30, 2021 and 2020 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:

Type	2021	2020
Clothing	\$ 234,238	\$ 71,388
Food and water	52,557	35,462
Personal protective equipment	142,055	60,959
Hygiene items	341,287	64,706
Furniture	4,200	30,000
Care items	50,365	4,291
	\$ 824,702	\$ 266,806

Human Services Campus, Inc & Affiliates
Notes to Consolidated Financial Statements
June 30, 2021 and 2020

Note 14 – Donated Services and Materials (Continued)

Unused gifts in kind received throughout a given year is recorded as inventory at year end and donated goods used within the year are recorded within program services as donated client support and supplies. As of June 30, 2021 and 2020, the Organization distributed \$707,963 and \$188,023, respectively, in donated material to clients.

SUPPLEMENTARY SCHEDULES

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Financial Position
Year Ending June 30, 2021

	<u>Human Services Campus, Inc.</u>	<u>Campus of Human Services, LLC</u>	<u>Lodestar Day Resource Center, Inc.</u>	<u>Eliminations</u>	<u>Total</u>
Assets					
Current assets:					
Cash	\$ 1,902,861	\$ 6,140	\$ 7,924	\$ -	\$ 1,916,925
Accounts receivable	20,515	470	-	-	20,985
Grants receivable	1,285,347	-	-	-	1,285,347
Due from affiliate	-	965,405	23,390	(988,795)	-
Promises to give – current	1,050,000	-	-	-	1,050,000
Prepaid expenses	14,791	-	-	-	14,791
Inventory	195,422	-	-	-	195,422
Total current assets	<u>4,468,936</u>	<u>972,015</u>	<u>31,314</u>	<u>(988,795)</u>	<u>4,483,470</u>
Assets restricted to endowment fund:					
Cash	-	39,575	-	-	39,575
Investments	-	2,625,429	-	-	2,625,429
Promises to give – long term, net	6,471,991	-	-	-	6,471,991
Property and equipment, net	26,781,346	-	-	-	26,781,346
Total assets	<u>\$ 37,722,273</u>	<u>\$ 3,637,019</u>	<u>\$ 31,314</u>	<u>\$ (988,795)</u>	<u>\$ 40,401,811</u>
Liabilities and Net Assets					
Current liabilities:					
Accounts payable	\$ 481,893	\$ -	\$ -	\$ -	\$ 481,893
Accrued liabilities	145,810	-	-	-	145,810
Due to affiliate	988,795	-	-	(988,795)	-
Deposits due to tenants	-	13,048	-	-	13,048
Grant payable	-	-	41,435	-	41,435
Paycheck protection program loan	-	-	-	-	-
Total current liabilities	<u>1,616,498</u>	<u>13,048</u>	<u>41,435</u>	<u>(988,795)</u>	<u>682,186</u>
Net assets:					
Without donor restrictions	27,458,784	958,967	(10,121)	-	28,407,630
With donor restrictions	8,646,991	2,665,004	-	-	11,311,995
Total net assets	<u>36,105,775</u>	<u>3,623,971</u>	<u>(10,121)</u>	<u>-</u>	<u>39,719,625</u>
Total Liabilities and Net Assets	<u>\$ 37,722,273</u>	<u>\$ 3,637,019</u>	<u>\$ 31,314</u>	<u>\$ (988,795)</u>	<u>\$ 40,401,811</u>

See auditor's report

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Activities
Year Ending June 30, 2021

	Human Services Campus, Inc.	Campus of Human Services, LLC	Lodestar Day Resource Center, Inc.	Eliminations	Total
Revenue, Gains and Other Support					
Contributions	\$ 4,494,693	\$ 85,461	\$ 21,059	\$ (1,310,146)	\$ 3,291,067
Government grants	3,693,356	-	-	-	3,693,356
Rental income	-	651,494	-	-	651,494
Gifts-in-kind	824,703	-	-	-	824,703
Donated services	3,579	-	-	-	3,579
Investment return	-	739,717	-	-	739,717
Miscellaneous income	-	1,583	-	-	1,583
	<u>9,016,331</u>	<u>1,478,255</u>	<u>21,059</u>	<u>(1,310,146)</u>	<u>9,205,499</u>
Expenses					
Program services	7,683,776	1,310,146	-	(1,310,146)	7,683,776
Management services	645,981	-	-	-	645,981
Fundraising services	305,215	-	-	-	305,215
	<u>8,634,972</u>	<u>1,310,146</u>	<u>-</u>	<u>(1,310,146)</u>	<u>8,634,972</u>
Change in net assets	381,359	168,109	21,059	-	570,527
Net assets, beginning of year	<u>35,724,416</u>	<u>3,455,862</u>	<u>(31,180)</u>	<u>-</u>	<u>39,149,098</u>
Net assets, end of year	<u>\$ 36,105,775</u>	<u>\$ 3,623,971</u>	<u>\$ (10,121)</u>	<u>\$ -</u>	<u>\$ 39,719,625</u>

See auditor's report

Human Services Campus, Inc & Affiliates
Consolidating Schedule of Expenses
Year Ending June 30, 2021

	Human Services Campus, Inc.	Campus of Human Services, LLC	Lodestar Day Resource Center, Inc.	Eliminations	Total
Personnel expense:					
Salaries and wages	\$ 2,173,695	\$ -	\$ -	\$ -	\$ 2,173,695
Employee benefits	274,001	-	-	-	274,001
Payroll taxes	154,218	-	-	-	154,218
Contracted temporary labor	379,029	-	-	-	379,029
Total personnel expense	<u>2,980,943</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,980,943</u>
Direct client support and supplies	991,636	-	-	-	991,636
Security services	1,734,336	-	-	-	1,734,336
Maintenance and repairs	945,091	-	-	-	945,091
Utilities	142,425	-	-	-	142,425
Depreciation	1,025,544	-	-	-	1,025,544
Grants	250,000	1,310,146	-	(1,310,146)	250,000
Office expenses	47,135	-	-	-	47,135
Insurance	104,634	-	-	-	104,634
Marketing and public relations	93,693	-	-	-	93,693
Information technology	67,479	-	-	-	67,479
Equipment leases	33,376	-	-	-	33,376
Telephone and internet	30,663	-	-	-	30,663
Professional fees	171,931	-	-	-	171,931
Staff training and development	16,086	-	-	-	16,086
Total Expenses	<u>\$ 8,634,972</u>	<u>\$ 1,310,146</u>	<u>\$ -</u>	<u>\$ (1,310,146)</u>	<u>\$ 8,634,972</u>

See auditor's report

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, 2021, 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 January 25, 2022.

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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
January 25, 2022

**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

Report on Compliance for Each Major Federal Program

We have audited Human Services Campus, Inc & Affiliates (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Organization's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Snyder & Brown, CPAs, PLLC
Tempe, Arizona
January 25, 2022

**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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:

Assistance Listing Number	Name of Federal Program or Cluster
14.267	Continuum of Care Program

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

Auditee's summary schedule of prior audit findings required to be reported in accordance with 2 CFR 500.511(b)?	No
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**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

Section II - Financial Statement Findings

None Reported

**Human Services Campus, Inc & Affiliates
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

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, 2021

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development: Continuum of Care Program	14.267	N/A	\$ 534,203
U.S. Department of Housing and Urban Development: Pass through from the City of Phoenix: Community Development Block Grants/Entitlement Grants	14.218	2BCPAC-07-B-0026	50,000
U.S. Department of Housing and Urban Development: Pass through from Arizona Department of Economic Security: Emergency Solutions Grant Program	14.231	E20DW04001	345,026
U.S. Department of Housing and Urban Development: Pass through from City of Phoenix: Emergency Solutions Grant Program	14.231	E20DW04001	<u>182,868</u>
Total Expenditure of Federal Awards:			<u><u>\$ 1,112,097</u></u>

See Accompanying Notes to Schedule.

Human Services Campus, Inc & Affiliates
Notes to Schedule of Expenditures of Federal Awards
June 30, 2021

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 2021 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.