



**Hope Community Services, Inc.**  
**Financial Statements**  
for the Year Ended June 30, 2020

**HOPE COMMUNITY SERVICES, INC.  
YEAR ENDED JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Hope Community Services, Inc.

### **Report on Financial Statements**

We have audited the accompanying financial statements of Hope Community Services, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Hope Community Services, Inc., as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.

Phoenix, Arizona

October 27, 2020

**HOPE COMMUNITY SERVICES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**Assets**

Cash and cash equivalents	\$ 1,484,639
Government receivables, net	175,983
Prepaid expenses and other current assets	5,569
Property and equipment, net	898,497
Security deposit	8,899
Total Assets	<u>\$ 2,573,587</u>

**Liabilities**

Accounts payable	\$ 23,240
Accrued expenses	115,675
Refundable advance	159,917
Deferred rent	8,635
PPP loan payable	9,000
Loan payable	381,250
Total Liabilities	<u>697,717</u>

**Net assets**

Without donor restrictions:	
Undesignated	1,857,881
With donor restrictions:	
Purpose restricted	<u>17,989</u>
Total net assets	<u>1,875,870</u>
Total liabilities and net assets	<u>\$ 2,573,587</u>

**See accompanying notes to financial statements.**

**HOPE COMMUNITY SERVICES, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>PUBLIC SUPPORT AND REVENUE:</b>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support:			
Community support	\$ 17,645	\$	\$ 17,645
Corporations and nongovernment grants	24,711	154,832	179,543
Foundations	9,175		9,175
Individuals	48,443		48,443
United Way	11,085		11,085
Gifts-in-kind	56,530		56,530
Total public support	<u>167,589</u>	<u>154,832</u>	<u>322,421</u>
Revenue:			
Governmental contracts and grants	1,985,510		1,985,510
PPP loan forgiveness	314,300		314,300
Interest and dividends	10,370		10,370
Other revenue	253		253
Total revenue	<u>2,310,433</u>	<u>-</u>	<u>2,310,433</u>
Net assets released from restrictions	<u>157,047</u>	<u>(157,047)</u>	<u>-</u>
Total Public Support and Revenue	2,635,069	(2,215)	2,632,854
<b>EXPENSES:</b>			
Program services			
Foster adopt	317,432		317,432
Family support services	1,136,598		1,136,598
Behavioral health	424,233		424,233
Total program services	<u>1,878,263</u>	<u>-</u>	<u>1,878,263</u>
Supporting services			
General and administrative	507,730		507,730
Fundraising	211,519		211,519
Total supporting services	<u>719,249</u>	<u>-</u>	<u>719,249</u>
Total expenses	2,597,512	-	2,597,512
<b>Change in net assets</b>	37,557	(2,215)	35,342
<b>Net assets, beginning of year</b>	<u>1,820,324</u>	<u>20,204</u>	<u>1,840,528</u>
<b>Net assets, end of year</b>	<u>\$ 1,857,881</u>	<u>\$ 17,989</u>	<u>\$ 1,875,870</u>

See accompanying notes to financial statements.

**HOPE COMMUNITY SERVICES, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services				Supporting Services		
	Foster Adopt	Family Support Services	Behavioral Health	Total	Management and General	Fundraising	Total
Salaries and wages	\$ 198,143	\$ 773,945	\$ 158,573	\$ 1,130,661	\$ 277,714	\$ 122,251	\$ 1,530,626
Payroll taxes and employee related expenses	26,512	98,556	17,680	142,748	25,801	13,729	182,278
Employee mileage	6,882	101,235	832	108,949	131	83	109,163
Employment expenses	5,283	19,982	18,372	43,637	3,052	1,123	47,812
Insurance	2,600	11,349	2,852	16,801	4,359	872	22,032
Events & meetings			98	98	790	11,756	12,644
Licenses & fees	243	155	402	800	707	1,534	3,041
Office expenses	458	1,495	603	2,556	2,276	462	5,294
Postage	90	242	104	436	1,078	806	2,320
Printing	404	1,236	624	2,264	1,533	1,650	5,447
Professional fees	1,419		147,466	148,885	90,205		239,090
Program supplies & activities	2,524	3,829	26,904	33,257	68	22	33,347
Repairs & maintenance	8,100	26,658	28,766	63,524	11,110	1,820	76,454
Security	4	14	4	22	925	7	954
Storage rental	1,747	156	38	1,941	5,805	2,798	10,544
Other expenses	227	864	273	1,364	15,062	6,766	23,192
Depreciation & amortization	3,323	12,117	1,867	17,307	1,429	326	19,062
Telephone	6,540	26,557	2,388	35,485	2,965	1,960	40,410
Rent & utilities	23,489	58,208	16,387	98,084	42,915	9,285	150,284
Bad Debt expense				-	19,805		19,805
Interest Expense				-		7,183	7,183
Gifts-in-kind	29,444			29,444		27,086	56,530
Total expenses	\$ 317,432	\$ 1,136,598	\$ 424,233	\$ 1,878,263	\$ 507,730	\$ 211,519	\$ 2,597,512

See accompanying notes to financial statements.

**HOPE COMMUNITY SERVICES, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 35,342
Adjustments to reconcile change in net income to net cash provided by/used for operating activities:	
Depreciation & amortization	19,062
Loss on disposal of assets	8,795
Change in allowance and bad debts	16,788
Changes in assets and liabilities:	
Government receivables	71,721
Prepaid expenses and other current assets	44,237
Security deposit	16,962
Accounts payable	(8,530)
Accrued expenses	23,319
Refundable advance	(56,590)
Deferred rent	<u>7,322</u>
<b>Net cash provided by/used for operating activities</b>	<u>178,428</u>
<b>Cash flows from investing activities:</b>	
Purchases of property and equipment	<u>(873,572)</u>
<b>Net cash provided by/used for investing activities</b>	<u>(873,572)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from PPP loan	9,000
Proceeds from loan	<u>381,250</u>
<b>Net cash provided by/used for financing activities</b>	<u>390,250</u>
<b>Net increase/decrease in cash and cash equivalents</b>	(304,894)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,789,533</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,484,639</u></u>

See accompanying notes to financial statements.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Hope Community Services, Inc., (the Organization) was incorporated on November 5, 1986 in the state of Arizona as a nonprofit corporation under the name West Valley Child Crisis Center, Inc. In June 2018, the Organization changed their name to Hope Community Services, Inc. The Organization was established to find temporary and permanent homes for children (from infant to teens) in the Phoenix metropolitan area who are victims of, or at risk of, domestic violence, abuse, or abandonment. In addition, the Organization provides outpatient behavioral health services to include trauma-focused therapy, parenting skills training and equine assisted therapy. The Organization's primary source of revenue for its programs are government contracts, health insurance contracts, grants, and contributions.

**Basis of Accounting**

The 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 conformity with accounting principles generally accepted in the United States of America as applied to not-for-profit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing not-for-profit accounting and financial reporting principles. The Organization is required to report information regarding its financial position and activities according to two classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.

*Net assets with donor restrictions* – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met either by actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds must be maintained in perpetuity.

Donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

**Use of Estimates**

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Concentrations of Credit Risk**

Financial instruments that potentially expose the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the carrying amount of the Organization's deposits was \$1,484,639 and the bank balance was \$1,485,828. At year end, \$982,935 of the Organization's deposits were uninsured and uncollateralized. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution.

**Government Receivables**

Government receivables 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 government receivables. At year end, the valuation allowance for government receivables was \$10,400.

**Property and Equipment**

All acquisitions of property and equipment with a cost in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from three years for vehicles, furniture and equipment to 40 years for buildings. Depreciation expense for the current fiscal year was \$19,062.

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.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Compensated Absences**

Employees are entitled to personal time off (PTO), depending on job classification, length of service, and other factors. It is the Organization's policy to recognize the cost of compensated absence when leave is earned by employees. As of June 30, 2020, the balance in accrued PTO was \$44,497 and is included in the accrued expenses on the Statement of Financial Position.

**Revenue Recognition**

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

***Contributions.*** The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. The Organization did not have any conditional promises to give at June 30, 2020.

***Government Contracts and Grants.*** The Organization conducts several programs that are funded by government contracts for foster adopt, family support and behavioral health services. The vast majority of the contacts are unit-of-service contracts, which are contracts in which the amount to be paid is determined by a formula based on units of service provided by the Organization. A maximum amount to be paid over the course of the contract is often specified. Units-of-service contracts are recognized as revenue and receivables as the services are rendered using the agreed-upon rate per unit. The grantor is billed, generally monthly, for the units of service provided during the preceding month.

The Organization also recognizes revenue from government contracts which are conditioned upon the number of behavioral health encounters the Organization provides. The Organization receives block payments from the government monthly for the organization to provide a certain number of encounters. Amounts received are recognized as revenue for the number of encounters it provides each month. Amounts received prior to providing the contracted encounters are reported as refundable advances in the statement of financial position. The Organization received block payments of \$159,917 that have not been recognized as of June 30, 2020 because the qualifying encounters have not yet been conducted.

**HOPE COMMUNITY SERVICES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Donated Services and In-Kind Contributions**

Donations of property and equipment are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time.

Volunteers contribute significant amounts of time to the Organization’s program services, administration, and fundraising activities; however the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed in generally accepted accounting principles.

**Functional Allocation of Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses.

Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and wages	Time and effort
Payroll taxes and employee related expenses	Time and effort
Professional fees	Time and effort
Rent and utilities	Time and effort

**Income Tax Status**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and similar State of Arizona tax provisions. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). The Organization’s Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**New Accounting Pronouncements**

During the fiscal year, the Organization adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). The update clarifies the principles for recognizing contract revenue and enhances disclosures sufficient to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

During the fiscal year, the Organization adopted Accounting Standards Update (ASU) 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The update clarifies and improves the scope and accounting guidance for contributions received and contributions made. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

Analysis of the provisions of these standards resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standards.

**Date of Management’s Review**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, which is the date the financial statements were available to be issued.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The following represents the Organization’s financial assets at fiscal year end:

Financial assets at year end:	
Cash and cash equivalents	\$ 1,484,639
Grants receivables, net	175,983
Total financial assets	<u>1,660,622</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	(17,989)
Less: Net assets with purpose restrictions to be met in less than a year	<u>17,989</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,660,622</u>

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 3 – GOVERNMENT RECEIVABLES**

All government receivables are due within one year. The following is a summary of the Organization’s government receivables at June 30, 2020.

Gross government receivables	\$	186,383
Less: Allowance for uncollectibles		(10,400)
Net contributions receivable	\$	<u>175,983</u>

**NOTE 4 – REFUNDABLE ADVANCE**

Changes in government contract liabilities for the fiscal year are as follows:

Beginning of the year	\$	216,507
Revenues recognized that was included in contract liabilities at the beginning of the year		(176,590)
Increases in contract liabilities due to cash received during the period		120,000
End of year	\$	<u>159,917</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following.

Land	\$	766,309
Work in progress		120,070
Furniture and equipment		103,855
Total property and equipment		990,234
Less: Accumulated depreciation and amortization		(91,737)
Net property and equipment	\$	<u>898,497</u>

**Work in progress** – The Organization has begun the process of constructing a new campus at Indian School and 115th Avenue. At year end, the Organization had spent \$120,070 in design and architectural fees associated with the new campus and had estimated remaining contractual commitments of \$731,482.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 – PAYCHECK PROTECTION PROGRAM (PPP) LOAN**

The Organization received approval for a Payroll Protection Program (PPP) loan under the CARES Act on April 13, 2020. The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities within 24 weeks of loan approval (at least 60% of the forgiven amount must be used for payroll). Loan payments will also be deferred for ten months, however interest will continue to accrue. Neither the government nor lenders will charge any fees for the loans. Forgiveness is based on the Organization maintaining or quickly rehiring employees and maintaining salary levels. Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease. Recipients must also comply with certain Small Business Administration (SBA) requirements and make certain certifications. PPP loans have a maturity of five years, an interest rate of 1% if not forgiven, and no prepayment penalty.

The Organization intends to seek forgiveness of the PPP loan, therefore the loan is considered a cost-reimbursement grant from the Federal government for which revenue is recognized when qualifying expenses are incurred. The Organization recognized \$314,300 of revenue for the PPP loan forgiveness during the year. The Organization recognized a PPP loan payable of \$9,000 for the amount for which the conditions of qualifying expenses will not be met.

The Organization must complete and submit a loan forgiveness application to the lender in order to receive loan forgiveness. Upon receipt of the loan forgiveness application the lender will determine if the Organization is entitled to forgiveness of some or all of the loan amount. The lender has 60 days from the receipt of the application to issue a decision to the SBA. As of the October 27, 2020 the Organization has not submitted the loan forgiveness application to the lender.

The Organization must retain all records relating the PPP loan, including documentation necessary to support the loan forgiveness application and documentation supporting material compliance with program requirements. The Organization must retain all documentation for six years after the loan is forgiven. The loan forgiveness is subject to audit and adjustment by the SBA. Any ineligible loan amounts may result in the SBA requiring the Organization repay the loan forgiven in part, or in whole.

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 7 – NET ASSETS**

Net assets without donor restrictions at year end of \$1,857,881 were all considered undesignated. Net assets with donor restrictions were as follows:

Specific Purpose		
Foster and adopt program	\$	3,818
Marketing materials		1,237
Mentoring program		5,000
Other		1,000
Program supplies		578
Staff retention		518
Training		928
Triple P		4,910
Total	\$	<u>17,989</u>

Net assets released from donor restrictions are as follows:

Satisfaction of Purpose Restrictions		
Behavioral health program	\$	19,500
Equine program		25,143
Foster and adopt program		14,349
Marketing materials		306
Other		24,332
Program supplies		247
Recruitment		373
Staff retention		1,111
Therapy Services		67,500
Training		1,596
Triple P		2,590
Total	\$	<u>157,047</u>

**NOTE 8 – OPERATING LEASE COMMITMENT**

The Organization is obligated under an operating lease for office space through July 31, 2022. Rent expense for the year ended June 30, 2020 totaled \$106,773, which includes common area maintenance charges of \$5,281.

The following is a schedule by years of future minimum rental payments under the leases at year end:

Year End:		
	2021	\$ 103,424
	2022	106,527
	2023	<u>8,899</u>
Total		<u>\$ 218,850</u>

**HOPE COMMUNITY SERVICES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 – LOAN PAYABLE**

Debt outstanding consisted of the following:

Description	
Horizon Promissory Note dated January 13, 2020, for the purchase of land. The loan is due in its entirety on January 13, 2022. The loan has an annual interest rate of 4.00% to be paid monthly beginning February 13, 2020.	\$ 381,250

The future scheduled maturities of long-term debt are as follows:

Year End:		
2021	\$	15,462
2022		<u>390,315</u>
Total loan payments		405,777
Less: Amount representing interest		<u>24,527</u>
Total	\$	<u>381,250</u>

**NOTE 10 – CONCENTRATION**

The Organization receives a substantial portion of its total revenue, approximately 68 percent excluding public support and other income, under contracts negotiated with the Arizona Department of Child Safety (DCS). At June 30, 2020, 83 percent of their government receivables were from DCS. If the Organization is unable to renegotiate its contracts with DCS in the future, it would have an adverse effect on the operations of the Organization.