

Jobs for Arizona's Graduates Audited Financial Statements

Year Ended June 30, 2019

(with comparative totals for the year ended June 30, 2018)

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INDEPENDENT AUDITOR'S REPORT

Graciela Candia and the Board of Directors
Jobs for Arizona's Graduates
3320 W Cheryl Dr., Suite B220
Phoenix, AZ 85015

We have audited the accompanying financial statements of Jobs for Arizona's Graduates (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses 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 Jobs for Arizona's Graduates as of June 30, 2019, 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.

Report on Summarized Comparative Information

The financial statements as of and for the year ended June 30, 2018 were audited by us and we expressed an unmodified opinion on them in our report dated October 30, 2018, but we have not performed any auditing procedures on those financial statements since that date.



Phoenix, Arizona
October 25, 2019

Jobs for Arizona's Graduates
Statement of Financial Position
As of June 30, 2019
(with comparative totals as of June 30, 2018)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 233,015	\$ 243,375
Grants and promises to give receivable	317,754	178,430
Prepaid expenses	<u>12,701</u>	<u>10,297</u>
Total current assets	563,470	432,102
Other assets		
Deposits	2,577	2,577
Long-term grants receivable	<u>100,000</u>	<u>-</u>
Total other assets	102,577	2,577
Total assets	<u>\$ 666,047</u>	<u>\$ 434,679</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 20,130	\$ 6,556
Accrued payroll and time off	29,023	30,934
Deferred rent	<u>9,801</u>	<u>2,214</u>
Total current liabilities	58,954	39,704
Total liabilities	58,954	39,704
Net assets		
Without donor restrictions	396,093	291,592
With donor restrictions	<u>211,000</u>	<u>103,383</u>
Total net assets	607,093	394,975
Total liabilities and net assets	<u>\$ 666,047</u>	<u>\$ 434,679</u>

The accompanying notes are an integral part of these financial statements

Jobs for Arizona's Graduates
Statement of Activities
For the year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Individual contributions	\$ 22,521	\$ 1,000	\$ 23,521	\$ 17,321
Corporate contributions	236,779	10,000	246,779	423,360
Foundation grants	148,000	200,000	348,000	165,000
Valley of the Sun United Way grants	137,256	-	137,256	139,500
Other contributions	58,100	-	58,100	2,960
Government grants	362,750	-	362,750	212,906
Contract services	91,330	-	91,330	82,424
Fundraising revenue	15,981	-	15,981	16,352
Interest income	49	-	49	785
Net assets released from restriction	103,383	(103,383)	-	-
Total support and revenue	1,176,149	107,617	1,283,766	1,060,608
Expenses				
Program	963,089	-	963,089	882,284
Administrative	87,994	-	87,994	68,676
Fundraising	20,565	-	20,565	13,351
Total expenses	1,071,648	-	1,071,648	964,311
Changes in net assets	104,501	107,617	212,118	96,299
Net assets, beginning of year	291,592	103,383	394,975	298,677
Net assets, end of year	\$ 396,093	\$ 211,000	\$ 607,093	\$ 394,975

The accompanying notes are an integral part of these financial statements

Jobs for Arizona's Graduates
Statement of Cash Flows
For the year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019	2018
Cash flows from operating activities		
Change in net assets	\$ 212,118	\$ 96,299
Adjustments to reconcile change in net assets to net cash used by operating activities:		
(Increase) in grants and promises to give receivable	(239,324)	(46,866)
(Increase) in prepaid expenses	(2,404)	(4,864)
Increase in accounts payable	13,574	2,817
(Decrease) increase in accrued payroll and time off	(1,911)	7,185
Increase (decrease) in deferred rent	7,587	(1,368)
Net cash (used for) provided by operating activities	(10,360)	53,202
Net (decrease) increase in cash and cash equivalents	(10,360)	53,202
Cash and cash equivalents		
Beginning of year	243,375	190,173
End of year	\$ 233,015	\$ 243,375

The accompanying notes are an integral part of these financial statements

Jobs for Arizona's Graduates
Statement of Functional Expenses
For the year ended June 30, 2019
(with comparative totals for the year ended June 30, 2018)

	2019			2018	
	Program Cost	Administrative Cost	Fundraising Cost	Total	Total
Salaries	\$ 461,986	\$ 55,605	\$ 15,374	\$ 532,965	\$ 487,730
Payroll taxes	35,342	4,254	1,176	40,772	37,311
Employee related	32,479	6,141	1,333	39,953	39,637
Total payroll and related	<u>529,807</u>	<u>66,000</u>	<u>17,883</u>	<u>613,690</u>	<u>564,678</u>
Affiliation fees	23,570	-	-	23,570	22,448
Audit, payroll and accounting	-	11,392	-	11,392	10,424
Distributions to schools & individuals	227,500	-	-	227,500	184,250
Insurance	4,289	301	105	4,695	6,646
Marketing and PR	6,632	981	241	7,854	3,915
Occupancy	28,436	2,509	952	31,897	30,150
Office expenses	20,364	2,763	834	23,961	25,098
Professional development	10,537	875	160	11,572	11,750
Professional fees	6,125	2,291	-	8,416	7,880
Program costs	84,282	71	105	84,458	78,139
Travel	21,547	811	285	22,643	18,933
Total expenses	<u>\$ 963,089</u>	<u>\$ 87,994</u>	<u>\$ 20,565</u>	<u>\$ 1,071,648</u>	<u>\$ 964,311</u>

The accompanying notes are an integral part of these financial statements

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Jobs for Arizona's Graduates, Inc. (JAG) is a not-for-profit corporation established in the State of Arizona. Jobs for Arizona's Graduates mission is to help young people stay in school and to acquire the academic, personal, leadership and vocational skills they will need to be successful upon graduation. JAG programs are designed to provide education and training for Arizona high school students at risk of not graduating from high school or leaving high school without a postsecondary plan. JAG programs are delivered to Arizona youth through model applications:

- College and Career Readiness Programs serving 10th - 12th grade students. JAG programs are delivered as an elective class in partnership with Arizona high schools.
- Middle to High School Transition Programs serving 6th- 9th grade students. JAG programs are delivered as a course section in partnership with Arizona middle and high school students.
- JAG Works Program serving youth 16 - 24 years old. JAG Works programs operate in community-based settings, reaching youth who disengaged from high school and need additional support to connect with employment or further education.

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Cash and Cash Equivalents

For the purposes of financial statement presentation, JAG considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

Receivables

Receivables consist of unconditional promises to give received from donors and amounts recognized as revenue from reimbursable grants. Management believes all receivables are collectible as of the financial statement date, based on subsequent receipts and management's relationship with the donors. Therefore, no allowance for doubtful accounts was calculated.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, 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.

Revenue and 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 are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-kind Contributions

Donated goods and services are recorded at their estimated fair values at the date of receipt as revenue and expense if they would have been purchased if not donated. Donated goods and services totaled and \$4,791 \$2,880 for the years ending June 30, 2019 and June 30, 2018, respectively.

Advertising - Marketing and Outreach

JAG expenses marketing and outreach costs as incurred and does not capitalize such items.

Functional Allocation of Expenses

JAG separates costs by the major classes of expenses: Program, Administrative and Fundraising Expenses, which have been summarized on a functional basis in the Statement of Activities. When appropriate, expenses are charged directly to one of the major classes. Indirect expenses have been allocated according to the activity and functionality related to their utilization. All employees, even those salaried, do complete timesheets per pay period. Allocation of expenses is updated quarterly based upon regular time studies for all employees.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

JAG is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described, in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. JAG is annually required to file a Return of Organization Exempt from Income Tax, Form 990, with the IRS. In addition, JAG is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that JAG is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and those differences could be material.

Credit Risk

JAG maintains its cash balances in financial institutions located in Arizona. Balances are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At times, balances may exceed FDIC limits.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Recent Accounting Guidance

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which impacts the information presented in financial statements and notes about a nonprofit entity's liquidity, financial performance, and cash flows. The guidance was required to be applied by the Organization for the year ending June 30, 2019. Net assets are now presented as with donor restrictions and without donor restrictions. Liquidity is now defined and presented in Note 2.

The FASB issued Accounting Standards Update (ASU) No. 2018-08 on June 21, 2018. This ASU distinguishes between contributions (grants) and exchange transactions (contracts) and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition, should be followed. For exchange transactions, Topic 606, Revenue from Contracts with Customers, should be followed. To determine which guidance should be followed, grant documents must be carefully analyzed. The standard is effective for the Organization for the year ending June 30, 2020.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 25, 2019, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$	233,015
Grants receivable and promises to give		317,754
		317,754
	\$	550,769

NOTE 3 – GRANTS AND PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at June 30, 2019 and 2018:

	2019	2018
Within one year	\$ 317,754	\$ 178,430
In one to two years	100,000	-
	\$ 417,754	\$ 178,430

NOTE 4 – CONCENTRATIONS

Approximately 19% and 38% of JAG's support for the years ended June 30, 2019 and June 30, 2018 respectively, was provided by corporate contributions, from multiple donors. Non-government grants were 38% and 29%, government grants were 28% and 21%, and contract services made up 7% and 8% of the total revenue, respectively, for the years ending June 30, 2019 and June 30, 2018.

NOTE 5 – AFFILIATES

During the year ended June 30, 2019, JAG received \$58,100 from its National Affiliate, Jobs for America's Graduates, as a sub-recipient of a grant from AT&T and paid \$31,845 to its National affiliate, Jobs for America's Graduates, \$23,570 for affiliation fees and \$8,275 for trainings.

During the year ended June 30, 2018, JAG received \$148,574 from its National Affiliate, Jobs for America's Graduates, \$145,214 of which, as a sub-recipient of a grant from AT&T and paid 32,573 to its National Affiliate, Jobs for America's Graduates, \$22,248 for affiliation fees and \$10,325 for trainings.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 5 – AFFILIATES (continued)

The Jobs for America's Graduates affiliate fees give JAG Arizona the right to establish accredited local programs. The affiliation provides access to professional development training, curriculum tools and resources, as well as use of the national Electronic Data Management System to capture and analyze program evaluation data.

NOTE 6 – LINE OF CREDIT

JAG has a credit card line of credit with the Bank of America for \$17,000 and a credit card line of credit with Capital One for \$3,500. Unpaid balances are reported as accounts payable.

NOTE 7 – OPERATING LEASE COMMITMENT

JAG entered into a lease with TAF Real Estate, LLC for 38 months commencing October 1, 2015 and ending November 2018 for office space. JAG entered into a lease amendment which extends their office lease for another 64 months from December 1, 2018 until March 31, 2024.

JAG accounts for annual rent escalations evenly over the term of the lease using the straight-line method. Unamortized rent escalations are recorded as deferred rent.

JAG has a lease for an office copier that ends October 2020. The lease payments are \$485 per month plus monthly meter readings that determine usage.

The following is a schedule of future minimum annual payments under the lease agreement for the years ending June 30:

	<u>Office Space</u>	<u>Copier Lease</u>	<u>Total</u>
FY20	\$ 32,216	\$ 5,820	\$ 38,036
FY21	34,793	1,940	36,733
FY22	35,982	-	35,982
FY23	37,172	-	37,172
FY24	28,548	-	28,548
	<u>\$ 168,711</u>	<u>\$ 7,760</u>	<u>\$ 176,471</u>

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2019</u>	<u>2018</u>
Time	\$ 210,000	\$ 15,000
Purpose	1,000	88,383
Total Net Assets With Donor Restrictions	<u>\$ 211,000</u>	<u>\$ 103,383</u>

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2019**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Time	\$ 15,000	\$ -
Purpose	88,383	90,909
Total Net Assets With Donor Restrictions	<u>\$ 103,383</u>	<u>\$ 90,909</u>

NOTE 9 – EMPLOYEE BENEFITS - RETIREMENT PLAN

JAG sponsors a 401(k) employee only retirement plan. JAG does not make matching contributions or profit-sharing contributions. JAG contracts with a third party PEO that owns and administers the 401(k).

NOTE 10 – PAID TIME OFF

JAG offers paid time off (PTO) to all employees. PTO includes vacation, sick and personal time off. Paid time off is accrued each pay period according to the following schedule:

Full-time Employees

- Years 1 through 5 employees may earn 6.15 hours per pay period
- Years 6 through 10 employees may earn 7.69 hours per pay period
- Years 11 and beyond employees may earn 12.31 hours per pay period

Full-time employees can carry over 50% of their annual accrual maximum each year, updated each calendar year, and will be paid out at 50% of their annual accrual maximum upon separation.

All part-time employees will accrue 1 hour of PTO for every 30 hours worked. Part-time employees accrue up to 24 hours in a 12-month period and may roll over up to 24 hours of PTO per year. Upon separation there will be no payout of unused PTO hours for part-time employees.