

Jobs for Arizona's Graduates Audited Financial Statements

Year Ended June 30, 2020

(with comparative totals for the year ended June 30, 2019)

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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, 2020, 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.

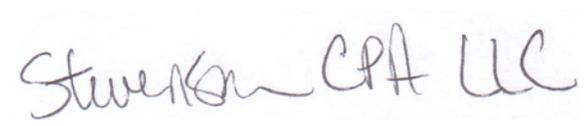
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 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.

Report on Summarized Comparative Information

We have previously audited Jobs for Arizona's Graduates 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Phoenix, Arizona
October 23, 2020

Jobs for Arizona's Graduates
Statement of Financial Position
As of June 30, 2020
(with comparative totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 735,976	\$ 233,015
Grants and promises to give receivable	160,260	417,754
Prepaid expenses	<u>4,402</u>	<u>9,089</u>
Total current assets	900,638	659,858
Other assets		
Deposits	2,577	2,577
Capital lease asset	<u>47,546</u>	<u>-</u>
Total other assets	50,123	2,577
Total assets	<u>\$ 950,761</u>	<u>\$ 662,435</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 148,370	\$ 20,130
Accrued payroll and time off	39,096	29,023
Current portion of notes payable	52,851	-
Deferred rent	<u>11,592</u>	<u>9,801</u>
Total current liabilities	<u>251,909</u>	<u>58,954</u>
Long-term liability		
Note payable	66,562	-
Capital lease obligations	<u>47,663</u>	<u>-</u>
Total other liabilities	114,225	-
Total liabilities	366,134	58,954
Net assets		
Without donor restrictions	317,139	392,481
With donor restrictions	<u>267,488</u>	<u>211,000</u>
Total net assets	584,627	603,481
Total liabilities and net assets	<u>\$ 950,761</u>	<u>\$ 662,435</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, 2020
(with comparative totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and revenue				
Individual contributions	\$ 20,827	\$ 2,238	\$ 23,065	\$ 18,940
Corporate contributions	402,677	90,750	493,427	302,282
Grants	517,150	68,500	585,650	939,336
Fundraising revenue	11,844	5,000	16,844	19,709
Interest income	790	-	790	147
In-kind revenue	2,352	-	2,352	-
Net assets released from restriction	110,000	(110,000)	-	-
Total support and revenue	1,065,640	56,488	1,122,128	1,280,414
Expenses				
Program	982,185	-	982,185	963,349
Administrative	130,965	-	130,965	87,994
Fundraising	27,832	-	27,832	20,565
Total expenses	1,140,982	-	1,140,982	1,071,908
Changes in net assets	(75,342)	56,488	(18,854)	208,506
Net assets, beginning of year	392,481	211,000	603,481	394,975
Net assets, end of year	\$ 317,139	\$ 267,488	\$ 584,627	\$ 603,481

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, 2020
(with comparative totals for the year ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Operating activities		
Change in net assets	\$ (18,854)	\$ 208,507
Adjustments to reconcile increases (decrease) in net assets to net cash used by operating activities:		
Depreciation expense	7,315	-
Decrease (increase) in grants and promises to give receivable	257,494	(239,324)
Decrease in prepaid expenses	4,686	1,207
Increase in accounts payable	128,240	13,574
Increase (decrease) in accrued payroll and time off	10,073	(1,911)
Increase in deferred rent	1,791	7,587
Net cash provided from (used for) operating activities	390,745	(10,360)
Financing activities		
Proceeds from issuance of notes	119,413	-
Principal payments on capital leases	(7,197)	-
Net cash provided from financing activities	112,216	-
Net change in cash	502,961	(10,360)
Cash and cash equivalents		
Beginning of year	233,015	243,375
End of year	<u>\$ 735,976</u>	<u>\$ 233,015</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 277	\$ -
Cash paid for taxes	-	-

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, 2020
(with comparative totals for the year ended June 30, 2019)

	2020			2019	
	Program Cost	Administrative Cost	Fundraising Cost	Total	Total
Salaries	\$ 433,320	\$ 85,507	\$ 15,575	\$ 534,402	\$ 532,965
Payroll taxes	35,873	7,050	1,286	44,209	40,772
Employee related	73,014	12,441	2,612	88,067	39,544
Total payroll and related	<u>542,207</u>	<u>104,998</u>	<u>19,473</u>	<u>666,678</u>	<u>613,281</u>
Affiliation fees	24,749	-	-	24,749	23,570
Audit & accounting fees	754	11,958	39	12,751	10,397
Bad debt expense	-	1,000	-	1,000	-
Depreciation	6,334	774	207	7,315	-
Distributions to schools & individuals	269,400	-	-	269,400	225,500
In-kind expense	2,352	-	-	2,352	-
Insurance	5,955	694	150	6,799	8,309
Interest expense	259	32	8	299	-
Advertising & Marketing	3,188	956	5,595	9,739	11,581
Occupancy	28,769	4,725	1,006	34,500	31,897
Office expenses	14,268	2,294	435	16,997	19,489
Professional development	13,823	1,487	145	15,455	11,572
Professional fees	-	-	-	-	3,834
Program costs	49,319	73	12	49,404	83,382
Technology	4,785	541	140	5,466	7,702
Travel	16,023	1,433	622	18,078	22,643
Total expenses	\$ <u>982,185</u>	\$ <u>130,965</u>	\$ <u>27,832</u>	\$ <u>1,140,982</u>	\$ <u>1,071,907</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, 2020**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Jobs for Arizona's Graduates, Inc. ("JAG" or the "Organization") 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, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Accounts Receivable

Receivables consist of unconditional promises to give received from donors and amounts recognized as revenue from reimbursable grants. Management determines the allowance for uncollectible accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written-off when deemed uncollectible.

Grants and promises to give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

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 may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed 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. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions are reported as restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. 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

Volunteers contribute significant amounts of time to our program services. However, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. We record donated professional services at the respective fair values of the services received. Donated legal services totaled \$2,352 and \$2,291 for the years ending June 30, 2020 and 2019, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. 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 based upon management's estimate of use.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include payroll and related, insurance, interest, marketing, occupancy, office expenses, professional development and travel, all of which are allocated based on estimates of time and effort.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and approximated \$9,739 and \$11,581 during the years ended June 30, 2020 and 2019, respectively.

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 (IRC) as an organization described, in IRC Section 501(c)(3), qualifies for the charitable contribution deduction under IRC 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. The Organization 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 subject to unrelated business income tax for disallowed employee fringe benefits and is required to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

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 may differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from organizations and foundations supportive of our mission.

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.

Prior Period Adjustment

The Organization corrected amounts previously miscalculated and reported to the prior year's audited financial statements which had the following impact on Net Assets for the fiscal year ended June 30, 2019:

	As stated	Restated
Prepaid expenses	\$ 12,701	\$ 9,089
Net assets without donor restrictions	396,093	392,480
Net assets with donor restrictions	211,000	211,000
Total net assets	\$ 607,093	\$ 603,481

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Guidance

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.

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, 2020.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 23, 2020, the date the financial statements were available to be issued.

NOTE 2 – COVID-19 PANDEMIC IMPACT

In March 2020, the COVID-19 outbreak was declared a pandemic. The duration and volatility of the pandemic's impact on the industry is unknown. JAG did experience a loss of revenue resulting from Covid-19 as some anticipated funders redirected resources to the pandemic response. Fortunately, JAG received a PPP Loan which prevented any furloughs or laying off of employees. As a result, JAG did incur expenses above reported revenue tied directly to the loan amount. JAG anticipates that 100% of the PPP Loan amount will be forgiven. JAG has been able to continue their programs in a virtual setting without any major changes to programming, however due to the uncertainty of future economic conditions, the impact of this economic turmoil may not be reasonably estimated at this time.

NOTE 3 – 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	\$	735,976
Grants receivable and promises to give		160,260
	Total \$	<u>896,236</u>

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

NOTE 4 – GRANTS AND PROMISES TO GIVE

Grants and unconditional promises to give are estimated to be collected as follows at June 30:

	2020	2019
Within one year	\$ 160,260	\$ 317,754
In one to two years	-	100,000
Total	\$ 160,260	\$ 417,754

NOTE 5 – AFFILIATES

JAG is affiliated with Jobs for America's Graduates ("National Affiliate"). As a local affiliate, JAG has the right to establish accredited local programs, have 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. The table below summarizes financial activity with the National Affiliate for the years ended June 30:

	2020	2019
Receipts from National Affiliate	\$ 170,557	\$ 58,100
Less affiliation fee payments	(24,749)	(23,570)
Less payments for training	(5,075)	(8,275)
Net receipts	\$ 140,733	\$ 26,255

NOTE 6 – LINE OF CREDIT

JAG has open and active credit card accounts issued by two financial institutions with an aggregate credit limit of \$20,500. Unpaid balances are reported as accounts payable.

NOTE 7 – NOTES PAYABLE

The Organization received funding on May 5, 2020 under the Paycheck Protection Program administered by the Small Business Administration. The Note payable consists of the following terms at June 30:

	2020
Bank of America	
Note due May 6, 2022; beginning November 6, 2020 Principal and interest payments at 1% per annum thereafter, calculated on the principal balance and accrued interest remaining after any loan forgiveness under the Paycheck Protection Program using an eighteen month amortization schedule.	\$ 119,413
	\$ 119,413

* Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act. The Organization intends to use the proceeds for purposes consistent with the terms of the PPP and believes it will meet the conditions for forgiveness of the loan in its entirety.

Future maturities of the note payable is as follows:

Years Ending June 30,	Total
2021	\$ 52,851
2022	66,562
Total	\$ 119,413

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

NOTES 8 - LEASES

JAG leases office space under an operating lease, and office equipment under a capital lease both expiring in 2024.

Future minimum lease payments are as follows:

Years Ending June 30,	Capital Lease	Operating Lease
2021	\$ 11,244	\$ 36,790
2022	11,244	38,014
2023	11,244	39,238
2024	11,244	30,117
Total minimum lease payments	<u>\$ 44,976</u>	<u>\$ 144,159</u>
Less amount representing interest	(1,052)	
Capital lease obligation	<u>\$ 43,924</u>	

Rent expense for the years ended June 30, 2020 and 2019 totaled \$42,847 and \$20,621, respectively.

Leased property under a capital lease at June 30 includes the following:

	2020	2019
Office equipment	\$ 54,861	\$ -
Less accumulated amortization	(7,315)	-
Capital Lease Asset	<u>\$ 47,546</u>	<u>\$ -</u>

NOTE 9 - CONCENTRATION OF REVENUE

JAG receives its revenue primarily from grants and corporate contributions. In aggregate, these comprise approximately 96% and 97% of total revenue as of June 30, 2020 and 2019, respectively.

	2020	2019
Grants	52%	73%
Corporate contributions	44%	24%
Fundraising revenue	2%	2%
Individual contributions	2%	1%
Total	<u>100%</u>	<u>100%</u>

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2020**

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Subject to the passage of time	\$ 2,000	\$ 10,000
Subject to expenditure for specified purpose	265,488	201,000
Total net assets with donor restrictions	\$ 267,488	\$ 211,000

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:

	<u>2020</u>	<u>2019</u>
Expiration of time restrictions	\$ 10,000	\$ 15,000
Satisfaction of purpose restrictions	100,000	88,383
Total net assets released from donor restrictions	\$ 110,000	\$ 103,383

Amounts received and released by satisfying donor conditions or purpose restrictions in the current year are reported in without donor restrictions and totaled \$512,500 during the year-ended June 30, 2020.

NOTE 11 – 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 12– PAID TIME OFF

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 Professional Employer Organization that owns and administers the 401(k).

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

Full-time Employees

- Years 1 through 5 – 160 hours annually
- Years 6 through 10 – 200 hours annually
- Years 11 and beyond – 320 hours annually

Full-time employees can carry over up to 50% of their annual accrual each year. Upon separation, employees will be paid out accrued and unused PTO in an amount not to exceed the maximum rollover amount.

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.