

Jobs for Arizona's Graduates Audited Financial Statements

Year Ended June 30, 2021

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

CONTENTS

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 13

INDEPENDENT AUDITORS' REPORT

1613 E Montebello Ave
Phoenix, AZ 85016

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, 2021, 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, 2021, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Phoenix, Arizona
November 5, 2021

Jobs for Arizona's Graduates
Statement of Financial Position
As of June 30, 2021
(with comparative totals as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 738,994	\$ 735,976
Grants receivable and promises to give	41,357	160,260
Prepaid expenses	9,110	4,402
Total current assets	<u>789,461</u>	<u>900,638</u>
Other assets		
Deposits	2,577	2,577
Capital lease asset	36,648	47,546
Total other assets	<u>39,225</u>	<u>50,123</u>
Total assets	<u>828,686</u>	<u>950,761</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	27,298	148,370
Accrued payroll liabilities	48,820	39,096
Deferred rent	10,153	11,592
Current portion of capital lease obligation	12,276	11,244
Current portion of note payable	-	52,851
Total current liabilities	<u>98,547</u>	<u>263,153</u>
Long-term liabilities		
Note payable	-	66,562
Capital lease obligations	27,631	36,419
Total long-term liabilities	<u>27,631</u>	<u>102,981</u>
Total liabilities	<u>126,178</u>	<u>366,134</u>
Net assets		
With donor restrictions	268,381	267,488
Without donor restrictions	434,127	317,139
Total net assets	<u>702,508</u>	<u>584,627</u>
Total liabilities and net assets	<u>\$ 828,686</u>	<u>\$ 950,761</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, 2021
(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Support and revenue				
Government grants	\$ 527,350	\$ -	\$ 527,350	\$ 323,250
Corporate contributions	226,070	208,881	434,951	493,427
Private grants	92,500	51,500	144,000	262,400
Individual contributions	18,984	3,000	21,984	23,065
In-kind revenue	2,658	-	2,658	2,352
Fundraising revenue	3,106	-	3,106	16,844
Interest income	1,565	-	1,565	790
Net assets released from restriction	262,488	(262,488)	-	-
Total support and revenue	1,134,721	893	1,135,614	1,122,128
Expenses				
Program	874,080	-	874,080	982,185
Administrative	133,758	-	133,758	130,965
Fundraising	9,895	-	9,895	27,832
Total expenses	1,017,733	-	1,017,733	1,140,982
Changes in net assets	116,988	893	117,881	(18,854)
Net assets, beginning of year	317,139	267,488	584,627	603,481
Net assets, end of year	\$ 434,127	\$ 268,381	\$ 702,508	\$ 584,627

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, 2021
(with comparative totals for the year ended June 30, 2020)

	2021	2020
Operating activities		
Change in net assets	\$ 117,881	\$ (18,854)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	10,898	7,315
Decrease in grants receivable and promises to give	118,903	257,494
(Increase) decrease in prepaid expenses	(4,708)	4,686
(Decrease) increase in accounts payable	(121,072)	128,240
Increase in accrued payroll liabilities	9,724	10,073
(Decrease) in note payable due to forgiveness	(119,413)	-
(Decrease) increase in deferred rent	(1,439)	1,791
Net cash provided from operating activities	10,774	390,745
Financing activities		
Proceeds from issuance of note	-	119,413
Principal payments on capital lease	(7,756)	(7,197)
Net cash (used for) provided from financing activities	(7,756)	112,216
Net change in cash	3,018	502,961
Cash and cash equivalents		
Beginning of year	735,976	233,015
End of year	\$ 738,994	\$ 735,976
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, 2021
(with comparative totals for the year ended June 30, 2020)

	2021			2020	
	Program Cost	Administrative Cost	Fundraising Cost	Total	Total
Salaries	\$ 474,377	\$ 85,694	\$ 7,214	\$ 567,285	\$ 578,610
Employee related	39,131	7,055	752	46,938	43,804
Payroll taxes	36,290	6,556	552	43,398	44,264
Total payroll and related	<u>549,798</u>	<u>99,305</u>	<u>8,518</u>	<u>657,621</u>	<u>666,678</u>
Advertising and marketing	-	57	-	57	9,739
Affiliation fees	25,986	-	-	25,986	24,749
Audit and accounting fees	828	9,042	114	9,984	12,751
Contractual payments	205,000	-	-	205,000	269,400
Insurance	6,477	869	90	7,436	6,799
Interest expense	2,325	325	41	2,691	299
Lease amortization	-	10,898	-	10,898	7,315
Occupancy	32,210	2,577	564	35,351	34,500
Office expenses	9,303	1,418	168	10,889	16,997
Professional development	7,749	395	42	8,186	15,455
Professional fees	7,743	-	-	7,743	2,352
Program costs	23,168	61	7	23,236	49,404
Technology	3,037	493	351	3,881	5,466
Travel	456	268	-	724	18,078
Uncollected receivables	-	8,050	-	8,050	1,000
Total expenses	<u>\$ 874,080</u>	<u>\$ 133,758</u>	<u>\$ 9,895</u>	<u>\$ 1,017,733</u>	<u>\$ 1,140,982</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, 2021**

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 and are delivered as an elective class in partnership with Arizona high schools.
- Middle to High School Transition Programs serving 6th- 9th grade students and are delivered as a course section in partnership with Arizona middle and high school students.
- JAG Works Program serving youth 16 - 24 years old and 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, 2020, 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 receivable and promises to give

Grants receivable and promises to give consists primarily of unsecured non-interest-bearing amounts due from grantors on cost reimbursement or performance grants which are expected to be collected within one year. The Organization determines the allowance for uncollectible grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Based on management's evaluation of the grants and other receivables at June 30, 2021 and 2020, all amounts are expected to be fully collectible and therefore has not established an allowance for uncollectible receivables.

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, 2021**

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 \$2,658 and \$2,352 for the years ending June 30, 2021 and 2020, 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, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising and Marketing Costs

Advertising and marketing costs are expensed as incurred and approximated \$57 and \$9,739 during the years ended June 30, 2021 and 2020, 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.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2021**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 standard has been delayed and is effective for JAG for the year ending June 30, 2022.

In September 2020, the FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 968), which requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities. The new standard establishes disclosure requirements for contributed nonfinancial assets including qualitative information about whether these assets were monetized or utilized during the reporting period as well as information on the valuation. The effective date for this standard is effective for JAG for the year ending June 30, 2022.

Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through November 5, 2021, 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. Throughout the pandemic, JAG has seen an increased need for services, particularly in regards to the challenges our youth and families are facing and the need to support them in addressing basic needs. JAG has worked in the past year to deepen the services and support the organization can provide to facilitate connections between our youth/families and other organizations that specialize in these services. JAG has been fortunate to leverage some of the government funds made available to support recovery while also working to maintain the private support needed to ensure JAG has the organizational capacity to meet this increased need. 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	\$ 738,994
Grants receivable and promises to give	41,357
Total	\$ 780,351

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2021**

NOTE 4 – GRANTS RECEIVABLE AND PROMISES TO GIVE

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

	<u>2021</u>	<u>2020</u>
Within one year	\$ 41,357	\$ 160,260
In one to two years	-	-
Total	\$ 41,357	\$ 160,260

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:

	<u>2021</u>	<u>2020</u>
Receipts from National Affiliate	\$ 118,080	\$ 170,557
Less affiliation fee payments	(25,968)	(24,749)
Less payments for training	(3,750)	(5,075)
Less payments for use of technology	(2,500)	-
Net receipts	\$ 88,362	\$ 140,733

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

During the fiscal year ending June 30, 2021, the Organization received forgiveness from the Small Business Administration of the note obtained through the Paycheck Protection Program. The full amount of \$119,413 is reported as a government grant in the Statement of Activities and shown as a non-cash reconciling item on the Statement of Cash Flows.

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2021**

NOTES 8 - LEASES

JAG leases office space under an operating lease, and office equipment under a capital lease expiring in 2024 and 2025, respectively. Future minimum lease payments are as follows:

<u>Years Ending June 30.</u>	<u>Capital Lease</u>	<u>Operating Lease</u>
2022	\$ 12,276	\$ 38,014
2023	13,013	39,238
2024	13,794	30,117
2025	5,237	-
2026	-	-
Thereafter	-	-
Total minimum lease payments	<u>\$ 43,815</u>	<u>\$ 107,369</u>
Less amount representing interest	<u>(4,413)</u>	
Capital lease obligation	<u>\$ 39,907</u>	

Rent expense for the years ended June 30, 2021 and 2020 totaled \$46,932 and \$42,847, respectively. Leased property under a capital lease at June 30 includes the following:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 54,489	\$ 54,489
Less accumulated amortization	<u>(18,213)</u>	<u>(7,315)</u>
	<u>\$ 36,276</u>	<u>\$ 47,174</u>

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Subject to specified purpose:		
Career and college readiness	\$ 139,774	\$ 112,488
LEADS program	25,000	25,000
Employer Volunteer Engagement	55,000	-
JAG Works	39,427	25,000
COVID-19 student relief	4,180	-
	<u>263,381</u>	<u>162,488</u>
Subject to the passage of time	5,000	105,000
	<u>5,000</u>	<u>105,000</u>
Total net assets with donor restrictions	<u>\$ 268,381</u>	<u>\$ 267,488</u>

**Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2021**

NOTE 9 – 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:

	2021	2020
Satisfaction of purpose restrictions:		
Career and college readiness	\$ 112,488	\$ 10,000
LEADS program	25,000	-
JAG Works	25,000	-
	<u>162,488</u>	<u>10,000</u>
Expiration of time restrictions:	100,000	100,000
	<u>100,000</u>	<u>100,000</u>
Total net assets with donor restrictions	\$ <u>262,488</u>	\$ <u>110,000</u>

Amounts received and released by satisfying donor conditions or purpose restrictions in the current year are reported in without donor restrictions and totaled \$672,200 during the year-ended June 30, 2021.

NOTE 10 - CONCENTRATION OF REVENUE

JAG receives its revenue primarily from grants and corporate contributions. In aggregate, these comprise approximately 97% and 96% of total revenue as of June 30, 2021 and 2020, respectively.

	2021	2020
Government grants	47%	29%
Corporate contributions	38%	44%
Private grants	13%	23%
Individual contributions	2%	2%
Fundraising revenue	0%	2%
Total	<u>100%</u>	<u>100%</u>

Jobs for Arizona's Graduates
Notes to the Financial Statements
For the year ended June 30, 2021

NOTE 11 – EMPLOYEE BENEFITS

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.