

HUMAN SERVICES CAMPUS, INC.

Financial Statements and
Independent Auditor's Report

Years Ended June 30, 2023 and 2022



Human Services Campus, Inc.
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June 30, 2023 and 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Human Services Campus, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Human Services Campus, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Human Services Campus, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, the Organization has changed its method of accounting for leases in the year ended June 30, 2023 due to the adoption of Accounting Standards Codification (ASC) Topic 842, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Services Campus, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Human Services Campus, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Human Services Campus, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of Human Services Campus, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant

agreements and other matters at a future date. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Human Services Campus, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Human Services Campus, Inc.'s internal control over financial reporting and compliance.

Snyder & Brown CPAs, PLLC

Snyder & Brown, CPAs, PLLC
Tempe, Arizona
February 28, 2024

Human Services Campus, Inc.
Statements of Financial Position
For the Years Ended June 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash	\$ 2,371,018	\$ 7,531,362
Accounts receivable	83,251	244,301
Grants and contributions receivable	1,217,505	1,446,813
Promises to give – current	1,220,000	1,125,000
Prepaid expenses	206,668	86,928
Inventory	15,040	60,315
Total current assets	5,113,482	10,494,719
Assets restricted to endowment fund:		
Cash	31,444	29,653
Investments	2,619,334	2,417,585
Promises to give – long term, net	3,359,719	4,600,962
Property and equipment, net	26,839,110	27,710,977
Right of use assets, net	40,334	-
Total assets	\$ 38,003,423	\$ 45,253,896
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 908,938	\$ 775,640
Accrued liabilities	286,897	171,437
Unearned revenue	1,358,339	3,542,857
Finance lease liability	17,674	-
Total current liabilities	2,571,848	4,489,934
Deposits due to tenants	13,048	13,048
Finance lease liability, noncurrent	22,668	-
Total liabilities	2,607,564	4,502,982
Net assets:		
Without donor restrictions	28,092,029	31,330,667
With donor restrictions	7,303,830	9,420,247
Total net assets	35,395,859	40,750,914
Total liabilities and net assets	\$ 38,003,423	\$ 45,253,896

See accompanying notes to financial statements.

Human Services Campus, Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Gains and Other Support						
Contributions	\$ 3,185,395	\$ 52,090	\$ 3,237,485	\$ 2,933,577	\$ 2,300,000	\$ 5,233,577
Government grants	8,097,506	-	8,097,506	6,454,730	113,547	6,568,277
Rental income	1,217,273	-	1,217,273	975,196	-	975,196
Gifts-in-kind	191,786	-	191,786	285,479	-	285,479
Net investment return (loss)	-	203,540	203,540	-	(222,999)	(222,999)
Miscellaneous income	907	-	907	-	-	-
Net assets released from restrictions	2,372,047	(2,372,047)	-	4,082,296	(4,082,296)	-
 Total revenue, gains and other support	 <u>15,064,914</u>	 <u>(2,116,417)</u>	 <u>12,948,497</u>	 <u>14,731,278</u>	 <u>(1,891,748)</u>	 <u>12,839,530</u>
Expenses						
Program services	16,022,538	-	16,022,538	10,539,239	-	10,539,239
Management services	1,844,711	-	1,844,711	827,976	-	827,976
Fundraising services	436,303	-	436,303	441,026	-	441,026
 Total expenses	 <u>18,303,552</u>	 <u>-</u>	 <u>18,303,552</u>	 <u>11,808,241</u>	 <u>-</u>	 <u>11,808,241</u>
 Change in net assets	 (3,238,638)	 (2,116,417)	 (5,355,055)	 2,923,037	 (1,891,748)	 1,031,289
 Net assets, beginning of year	 <u>31,330,667</u>	 <u>9,420,247</u>	 <u>40,750,914</u>	 <u>28,407,630</u>	 <u>11,311,995</u>	 <u>39,719,625</u>
Net assets, end of year	<u>\$ 28,092,029</u>	<u>\$ 7,303,830</u>	<u>\$ 35,395,859</u>	<u>\$ 31,330,667</u>	<u>\$ 9,420,247</u>	<u>\$ 40,750,914</u>

See accompanying notes to financial statements.

Human Services Campus, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

	2023								
	Program Services					Supporting Services			
	Welcome Center	Navigation and Housing Match	Day Room	Campus Operations	Respiro	Total Program Services	Management	Fundraising	Total
Personnel expense:									
Salaries and wages	\$ 821,940	\$ 866,786	\$1,868,449	\$ 242,457	\$442,605	\$4,242,237	\$ 764,678	\$ 160,265	\$ 5,167,180
Employee benefits	126,681	139,602	358,846	42,255	57,621	725,005	128,890	33,046	886,941
Payroll taxes	62,981	65,721	147,284	16,512	34,410	326,908	58,051	11,818	396,777
Contracted temporary labor	-	-	677,186	-	115,387	792,573	73,994	-	866,567
	<u>1,011,602</u>	<u>1,072,109</u>	<u>3,051,765</u>	<u>301,224</u>	<u>650,023</u>	<u>6,086,723</u>	<u>1,025,613</u>	<u>205,129</u>	<u>7,317,465</u>
Client support and supplies	698,565	2,096,779	884,071	64,905	6,867	3,751,187	1,203	2,591	3,754,981
Security services	363,691	36,460	588,452	872,226	406,912	2,267,741	-	-	2,267,741
Maintenance and repairs	560,975	15,660	265,606	575,902	147,491	1,565,634	17,327	2,674	1,585,635
Utilities	23,409	-	95,875	73,510	22,750	215,544	15,411	162	231,117
Depreciation and amortization	44,180	27,843	153,367	929,499	1,762	1,156,651	27,296	9,463	1,193,410
Grants	181,436	73,320	53,006	32,654	9,584	350,000	-	-	350,000
Office expenses	14,414	17,891	4,924	23,368	1,586	62,183	28,157	22,224	112,564
Insurance	8,127	5,806	22,446	72,720	6,799	115,898	40,849	820	157,567
Marketing and public relations	-	-	335	-	-	335	70,000	160,977	231,312
Information technology	34,284	20,048	84,790	4,907	14,400	158,429	53,962	4,402	216,793
Equipment leases	5,322	4,755	15,929	-	3,406	29,412	5,271	460	35,143
Telephone and internet	8,754	5,744	27,961	3,112	1,316	46,887	4,433	179	51,499
Professional fees	60,535	50,397	28,404	555	11,082	150,973	544,941	25,212	721,126
Travel	523	4,401	1,380	20	489	6,813	1,428	109	8,350
Staff training and development	16,381	22,290	14,818	1,536	3,103	58,128	7,838	1,901	67,867
Interest expense	-	-	-	-	-	-	982	-	982
Total expenses	<u>\$ 3,032,198</u>	<u>\$ 3,453,503</u>	<u>\$5,293,129</u>	<u>\$2,956,138</u>	<u>\$1,287,570</u>	<u>\$16,022,538</u>	<u>\$ 1,844,711</u>	<u>\$ 436,303</u>	<u>\$ 18,303,552</u>

(Continued)

See accompanying notes to financial statements.

Human Services Campus, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022

(Continued)

	2022								
	Program Services					Supporting Services			
	Welcome Center	Navigation and Housing Match	Day Room	Campus Operations	Mail Room	Total Program Services	Management	Fundraising	Total
Personnel expense:									
Salaries and wages	\$ 814,068	\$ 685,584	\$ 737,179	\$ 249,870	\$ 54,642	\$ 2,541,343	\$ 438,636	\$ 217,360	\$ 3,197,339
Employee benefits	142,575	115,350	150,091	59,653	14,865	482,534	94,413	30,388.00	607,335
Payroll taxes	61,237	52,014	55,085	18,096	4,112	190,544	31,827	16,343	238,714
Contracted temporary labor	-	-	846,949	-	-	846,949	300	-	847,249
Total personnel expense	<u>1,017,880</u>	<u>852,948</u>	<u>1,789,304</u>	<u>327,619</u>	<u>73,619</u>	<u>4,061,370</u>	<u>565,176</u>	<u>264,091</u>	<u>4,890,637</u>
Client support and supplies	788,358	108,352	374,590	4,994	-	1,276,294	1,801	-	1,278,095
Security services	348,221	9,767	389,540	767,200	1,455	1,516,183	-	-	1,516,183
Maintenance and repairs	595,727	6,948	324,451	430,775	472	1,358,373	7,377	1,227	1,366,977
Utilities	13,094	353	145,177	42,864	53	201,541	12,813	153	214,507
Depreciation	40,015	11,748	138,909	841,873	1,596	1,034,141	24,723	8,570	1,067,434
Grants	381,849	73,320	53,006	32,654	9,584	550,413	-	-	550,413
Office expenses	11,346	11,404	4,245	7,975	560	35,530	17,933	22,187	75,650
Insurance	14,522	7,095	27,954	78,890	659	129,120	11,561	1,371	142,052
Marketing and public relations	60,000	-	-	-	-	60,000	13,858	136,871	210,729
Information technology	20,404	52,603	30,190	4,594	1,247	109,038	8,084	3,521	120,643
Equipment leases	9,610	7,396	9,829	1,997	620	29,452	3,651	1,194	34,297
Telephone and internet	8,981	5,514	17,179	3,166	204	35,044	1,781	402	37,227
Professional fees	40,167	43,223	2,861	5,885	82	92,218	156,733	828	249,779
Staff training and development	20,797	8,440	20,142	861	282	50,522	2,485	611	53,618
Total expenses	<u>\$ 3,370,971</u>	<u>\$ 1,199,111</u>	<u>\$ 3,327,377</u>	<u>\$ 2,551,347</u>	<u>\$ 90,433</u>	<u>\$ 10,539,239</u>	<u>\$ 827,976</u>	<u>\$ 441,026</u>	<u>\$ 11,808,241</u>

See accompanying notes to financial statements.

Human Services Campus, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash Flow from Operating Activities		
Change in net assets	\$ (5,355,055)	\$ 1,031,289
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,193,410	1,067,434
Unrealized (gain) loss on investments	(48,629)	326,683
(Increase) decrease in operating assets:		
Accounts receivable	161,050	(223,316)
Grants receivable	229,308	(161,466)
Promises to give	1,146,243	1,796,029
Prepaid expenses	(119,740)	(72,137)
Inventory	45,275	135,107
Increase (decrease) in operating liabilities:		
Accounts payable	133,298	293,747
Accrued liabilities	115,460	25,627
Grants payable	-	(41,435)
Deferred revenue	(2,184,518)	3,542,857
Net cash (used) provided by operating activities	(4,683,898)	7,720,419
 Cash Flow from Investing Activities		
Purchase of property and equipment	(306,671)	(1,997,065)
Acquisition of Right of Use asset through Finance Lease	(55,206)	
Purchase of securities and reinvestments	(253,120)	(308,819)
Sales of securities and reinvestments	100,000	189,980
Net cash (used in) investing activities	(514,997)	(2,115,904)
 Cash Flow from Financing Activities		
Proceeds from Finance Lease	55,206	-
Payment of Principal on finance leases	(14,864)	-
Net cash provided by financing activities	40,342	-
 Net increase (decrease) in cash	(5,158,553)	5,604,515
Cash, beginning of year	7,561,015	1,956,500
Cash, end of year	\$ 2,402,462	\$ 7,561,015
 Supplemental Disclosures		
Noncash Operating transactions:		
Gifts-in-kind - received	\$ 191,786	\$ 285,479
Gifts-in-kind - used	(237,061)	(420,586)
 The following is a Cash Recap from Statement of Financial Position:		
Current assets - cash	\$ 2,371,018	\$ 7,531,362
Assets restricted to endowment fund - cash	31,444	29,653
Total cash	\$ 2,402,462	\$ 7,561,015

See accompanying notes to financial statements.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

Nature of Activities

Human Services Campus, Inc. (HSC, Inc.) is a 501(c)(3) nonprofit corporation registered in the state of Arizona as of 2017.

HSC, Inc., “the Organization,” was established to use the power of collaboration to provide solutions to end homelessness. The Organization is guided by a belief in dignity, diversity, innovation, creativity, empowerment, community, responsibility, and collaboration. It serves as a gateway for individuals to access an extensive array of human services needed to begin the transformation from crisis to stability and self-sufficiency. In addition to providing client programs, the Organization owns and operates a thirteen-acre campus and collaborates with partner-tenants to provide complementary, holistic services, all located on the campus. The Organization provides physical facilities, security, navigation, and assessment services.

The Organization convenes fifteen agencies who reside on the campus plus other non-profit organizations throughout Maricopa County. Through a collaborative approach the Organization offers daily access to medical, dental, housing assistance, social support services, job assistance, behavioral health, legal services and more. Public and private partnerships have been and continue to be the backbone of the organization and contribute to its success.

The Organization’s programs currently consist of the following:

Welcome Center:

The Brian Garcia Welcome Center (Welcome Center) is the front door to the Organization and coordinates the coordinated entry programs across Maricopa County. The Welcome Center provides each client with diversion, assessment, resources, housing and service referrals with the primary goal of resolving homelessness through a client-centered approach. The Organization connects clients to appropriate services that include: mental, dental and physical health, substance abuse treatment, employment assistance, shelter, housing and more.

Navigation and Housing Match:

Clients that are ready for a housing match and do not have a case manager are assigned a Navigator. The Navigator provides case management and housing services. They assist each client with navigating the various services provided by the Organization and its partners as well as assisting clients with acquiring affordable housing. As the local lead for single adults Coordinated Entry, HSC also convenes a network of coordinated entry access points across Maricopa County. The Organization is responsible for ensuring high quality intake and assessment across this network. The Organization manages the county wide by-name lists, holds weekly case conferencing sessions and refers clients to housing programs.

HSC provides programmatic services in partnership with Maricopa County at a hotel (52 rooms) that is used for Bridge Housing. Bridge Housing offers non-congregate short-term shelter for individuals moving out of homelessness and in to permanent housing.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

HSC manages a program for homeless prevention that covers expense typically not included in mainstream eviction prevention programs. The funding is available across Maricopa County through the partnership network of single adult and family services providers.

Day Room:

The Organization's Lodestar Day Resource Center (Day Room) operates as a central hub for the Organization's and partner services. Case workers meet at this location to provide Navigation and Housing Match services and case conferencing. The Day Room also manages a client clothing closet and weather relief for clients, as well as client showers and client storage.

HSC converts two program spaces into overflow shelter nightly to provide 280 mats on floors for people to shelter indoors. The Lodestar Day Resource Center has a capacity of up to 80 women. And through our partnership with St. Vincent de Paul, 200 men are offered mats on the floor of the dining room.

The HSC street outreach team locates unsheltered individuals to engage, assess, and triage people to a temporary location for care (options including, but not limited to, substance abuse recovery, medical respite, bridge housing, emergency shelter). The ultimate goal is reduce the length of time people experience unsheltered homelessness.

Campus Operations:

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

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

Respiro:

Respiro Shelter provides respite and shelter for people experiencing homelessness, aiming to improve the client's overall well-being as HSC helps them secure permanent housing. The 6,300 square-foot, 95-bed Respiro Shelter opened its doors in March 2022.

Basis of Accounting

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

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

Basis of Presentation

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

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

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

For the purpose of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an original maturity of three months or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for purchases and sales of investments and are excluded from this definition.

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. The Organization maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. The Organization's cash and cash equivalent accounts have been placed with high credit quality financial institutions. At June 30, 2023 and 2022, the Organization had cash and cash equivalents that exceeded federally insured limits totaling \$2,045,959 and \$7,088,878, respectively. The Organization has not experienced, nor does it anticipate, any losses with respect to such accounts.

Accounts Receivable

Accounts receivable are amounts due from program service invoices and they are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to account receivable. Changes in the valuation have not been

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

material the financial statements. At June 30, 2023 and 2022, all amounts were considered to be fully collectible.

Grants and Contributions Receivable

Grants receivable are stated at the amount management expects to collect from outstanding balances due from government agencies for services performed. The amounts are considered fully collectible at June 30, 2023 and 2022.

Promises to Give (Pledges Receivable)

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

Deferred Revenue

Deferred revenue in the financial statements results from conditional grants and contributions for which funding was received before the conditions have been satisfied.

Inventory

Inventory consists of donated clothing, shoes, bottled water, hygiene items, and personal protective equipment received and not distributed at year end. Inventory is carried at fair value at the date of donation.

Investments

Investments are measured at fair value in the consolidated statement of financial position. Investments are recorded at fair value as determined by quoted prices in active markets or other valuation inputs. Investment income or loss (including realized and unrealized gains and losses, net of investment expenses) is included in the change in net assets without donor restrictions in the accompanying consolidated statement of activities, unless the income or loss is restricted by the donor or law.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset in excess of \$5,000. Property and equipment is carried at cost or fair value at the date of donation. Depreciation is recognized using the straight-line method over the assets' estimated life as follows:

Building	30	Years
Land	-0-	Years
Furniture, fixtures and equipment	5-30	Years
Vehicles	3-4	Years
Computers and software	5	Years

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulate depreciation are removed from the accounts, and gains and losses are included in operations.

Impairment of Long-Lived Assets

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

Income Taxes

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

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

Use of Estimates

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

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

Functional Expenses

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

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

Revenue Recognition

Rental Income

The Organization rents portions of its facility to Campus partners. Rental income is recognized over the life of the lease agreement.

Government Grants

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

Contributions

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

Contributed property and equipment

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Additionally, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, fundraising, and various committee assignments. The Organization receives donated time from volunteers to assist with program services.

Recent Accounting Guidance

Recent Accounting Guidance – The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-07, Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, which requires the Organization to present contributed nonfinancial assets in a separate line item in the statement of activities and to disclose certain information about the contributed nonfinancial assets, including whether the assets were monetized or utilized by the Organization. In addition, the Organization is required to disclose a description of how these assets are valued. The Organization adopted this standard as of July 1, 2022.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) amending the accounting for leases. The Organization adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption as the Organization utilized the practical expedient available under the guidance. Further, the Organization elected to implement the package of practical expedients, whereby the Organization did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs.

Upon adoption, on July 1, 2022, the Organization recognized \$55,206 in right-of-use (“ROU”) assets related to its leased property. A corresponding lease liability of \$55,206 was also recognized. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to net assets upon adoption.

Leases– The Organization categorizes leases with contractual terms longer than twelve months as either operating or finance leases. Finance leases are generally those leases that allow the Organization to substantially utilize or pay for the entire asset over its estimated useful life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet. The Organization had no operating leases as the lessee during 2023 and 2022.

Certain lease contracts include obligations to pay for other services such as operations, property taxes and maintenance. For leases of property, the services are accounted for separately and payments are allocated to the lease and other services components based on stand-alone prices.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

Lease liabilities are recognized at the present value of the fixed lease payments, using a discount rate based on similarly secured borrowings available. Right of use assets are recognized based on the initial present value of the fixed lease payments, plus any direct costs from executing the leases. Lease assets are tested for impairment in the same manner as long-lived assets used in operations.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the lease assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

Endowment

The Organization's endowment (the Endowment) consists of approximately three individual funds established by donors to provide annual funding for specific activities and general operations. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization's Board of Directors has interpreted the Arizona's Management of Charitable Funds Act (MCFA), a version of the Uniform Prudent Management of Institutional Fund Act (UPMIFA), as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023 and 2022, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by MCFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Investment Return Objectives, Risk Parameters and Strategies – The Organization has

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceed the annual distribution with acceptable levels of risk. Under this policy, endowment assets

are invested in well-diversified asset mix, which include, but are not limited to equities, bond funds, equity funds, alternative investments and cash equivalents. The Organization's spending and investment policies work together to achieve this objective.

Spending Policy – The Organization's annual utilizations are at the discretion of the Board unless specific instructions were provided by the endowment donors. The current spending policy allows for distributions each year not to exceed 5% of the annual three-year average market value of the endowment.

Underwater Endowments – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the MCFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature exist in approximately three donor-restricted endowment funds, which together have an original gift value of \$2,015,536, at June 30, 2023 and 2022. The Organization's endowments were not underwater as of June 30, 2023 and 2022.

The Organization has a policy that does not permit spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor intent or relevant laws and regulations. The governing board did not appropriate any funds for expenditure from the endowment funds during the years ended June 30, 2023 and 2022.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

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

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Other observable inputs, either directly or indirectly, including:
- Quoted prices for similar assets/liabilities in active markets;
 - Quoted prices for identical or similar assets in non-active markets;
 - Inputs other than quoted prices that are observable for the asset/liability; and,
 - Inputs that are derived principally from or corroborated by other observable market data.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data. Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets such as published catalogs, vendors, independent appraisals, and other sources. Methods such as estimates, averages, or computational approximations, such as average value per pound or subsequent sales can be used.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Date of Management's Review

In preparing these consolidated financial statements, the Organization's management has evaluated events and transactions for potential recognition or disclosure through February 28, 2024, the date the consolidated financial statements were available for issuance.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 2 – Availability and Liquidity

The Organization receives significant contributions each year from donors which are available to meet annual cash needs for operations. The Organization also receives grant revenue with purpose and time restrictions related to the fulfillment of the objectives under the grant.

The following represents the Organization’s financial assets available to meet its operations needs as of June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,402,462	\$ 7,561,015
Accounts receivable	83,251	244,301
Grants receivable	1,217,505	1,446,813
Pledges Receivable, current	1,220,000	1,125,000
Less: restricted cash for endowments	<u>(31,444)</u>	<u>(29,653)</u>
Financial assets available to be used within one year	<u>\$ 4,891,774</u>	<u>\$ 10,347,476</u>

The Organization’s goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations as they come due. The Organization expects to receive additional assets in the form of contributions and grants throughout the year to meet operational needs.

Note 3 - Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Building	\$ 27,511,609	\$ 27,468,081
Land	1,780,000	1,780,000
Furniture, fixtures and equipment	2,858,607	2,828,199
Vehicles	104,209	104,209
Computers and software	95,450	68,316
Work in progress	205,600	-
Accumulated depreciation	<u>(5,716,365)</u>	<u>(4,537,828)</u>
Property and equipment, net	<u>\$ 26,839,110</u>	<u>\$ 27,710,977</u>
Right of use assets:		
Vehicles	\$ 39,329	\$ -
Equipment	15,877	-
Less accumulated amortization	<u>(14,872)</u>	<u>-</u>
Right of use assets, net	<u>\$ 40,334</u>	<u>\$ -</u>

Depreciation and amortization expense for the years ending June 30, 2023 and 2022 was \$1,193,410 and \$1,067,434, respectively.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 4 – Promises to Give

Promises to give consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Promises to give due in less than one year	\$ 1,220,000	\$ 1,125,000
Promises to give due in two to five years	4,040,000	4,140,000
Promises to give in more than five years	20,000	1,030,000
Total promises to give	<u>5,280,000</u>	<u>6,295,000</u>
Discount to present value	<u>(700,281)</u>	<u>(569,038)</u>
Total promises to give, net of discount	4,579,719	5,725,962
Less: current portion of promises to give	<u>(1,220,000)</u>	<u>(1,125,000)</u>
Promises to give, net of current	<u><u>\$ 3,359,719</u></u>	<u><u>\$ 4,600,962</u></u>

The estimated future cash flows for pledges receivable are discounted over the collection period using a discount rate of 3% and 2% for fiscal year ending June 30, 2023 and 2022, respectively.

Note 5 – Accrued Liabilities

Accrued liabilities consisted of the following at June 30:

	<u>2023</u>	<u>2022</u>
Accrued payroll	\$ 89,615	\$ 31,516
Accrued compensated absences	193,900	139,921
Accrued other employee benefits	3,382	-
	<u><u>\$ 286,897</u></u>	<u><u>\$ 171,437</u></u>

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 6– Lease Commitments-Finance Leases

The Organization has three leases for vehicles that are classified as finance leases and expire in April 2025 and January 2024, with monthly lease payments of \$354, \$392 and \$457. The Organization has also entered into an equipment lease with monthly lease payments of \$354, ending February 2027.

The initial lease liability and a corresponding right-to-use assets for the above leases at July 1, 2022 was \$55,206 based on the present value of the lease payments using the estimated incremental borrowing rate of 2.85%. The amortized lease liability balance as of June 30, 2023 on the above leases totaled \$40,342.

At June 30, 2023 the future, undiscounted lease payments under these leases are as follows:

Years ending June 30,	
2024	\$ 18,677
2025	16,272
2026	4,247
2027	2,831
Total minimum lease payments	<u>42,027</u>
Less present value discount	(1,685)
Present value of minimum operating lease payments	<u><u>\$ 40,342</u></u>

Note 7 – Lease to Leasee

The Organization has multiple leases with various companies. The amount due per month to the Organization and terms vary by contract. Total rental income received as of June 30, 2023 and 2022 was \$1,217,273 and \$975,196, respectively.

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

<u>Years Ending June 30,</u>	
2024	\$ 725,831
2025	749,354
2026	788,864
2027	168,553
2028	85,111
Total	<u><u>\$ 2,517,713</u></u>

The Organization also has nine month-to-month lease agreements amounting to approximately \$18,700 per month.

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 8 – Investments

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

	2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 398,598	\$ -	\$ -	\$ 398,598
U.S. Treasury notes and bonds	227,459	-	-	227,459
Mutual funds	1,869,349	-	-	1,869,349
Bond funds	123,928	-	-	123,928
Total investments	<u>\$ 2,619,334</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,619,334</u>

	2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable certificates of deposit	\$ 406,438	\$ -	\$ -	\$ 406,438
U.S. Treasury notes and bonds	\$ 230,890	-	-	230,890
Mutual funds	1,663,154	-	-	1,663,154
Bond funds	117,103	-	-	117,103
Total investments	<u>\$ 2,417,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,417,585</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 157,375	\$ 106,452
Unrealized gain/(loss)	48,629	(326,683)
Investment fees	(2,464)	(2,768)
Total investment return (loss)	<u>\$ 203,540</u>	<u>\$ (222,999)</u>

Note 9 – Endowment Funds

The endowment composition by type of funds consisted of the following at June 30, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted amounts	\$ -	\$ 2,015,536	\$ 2,015,536
Accumulated investment earnings	-	635,242	635,242
	<u>\$ -</u>	<u>\$ 2,650,778</u>	<u>\$ 2,650,778</u>

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 9 – Endowment Funds (Continued)

The endowment composition by type of funds consisted of the following at June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Original donor-restricted amounts	\$ -	\$ 2,015,536	\$ 2,015,536
Accumulated investment earnings	-	431,702	431,702
	<u>\$ -</u>	<u>\$ 2,447,238</u>	<u>\$ 2,447,238</u>

Change in endowment funds for the years ended June 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Fund</u>
Endowment funds, June 30, 2021	\$ -	\$ 2,665,004	\$ 2,665,004
Contributions	-	-	-
Interest income	-	106,452	106,452
Realized and unrealized losses, net	-	(326,683)	(326,683)
Investment fees	-	(2,768)	(2,768)
Amounts appropriated for expenditure	-	5,233	5,233
Endowment funds, June 30, 2022	<u>\$ -</u>	<u>\$ 2,447,238</u>	<u>\$ 2,447,238</u>
Contributions	-	-	-
Interest income	-	157,375	157,375
Realized and unrealized losses, net	-	48,629	48,629
Investment fees	-	(2,464)	(2,464)
Transfers in	-	-	-
Endowment funds, June 30, 2023	<u>\$ -</u>	<u>\$ 2,650,778</u>	<u>\$ 2,650,778</u>

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 10 – Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
<u>Time restricted:</u>		
<u>Time only</u>		
Unrestricted promises to give	\$ 4,369,719	\$ 5,525,962
<u>Time and purpose</u>		
Covid - 19 related	75,000	150,000
Client Holiday Meal	25,000	50,000
Sprung shelter	133,333	1,000,000
Total time restricted	<u>4,603,052</u>	<u>6,725,962</u>
 <u>Purpose restricted:</u>		
Street outreach	50,000	-
Employee hardship pool	-	133,500
Outreach labor and ADA-accessible van accessories	-	113,547
Total purpose restricted	<u>50,000</u>	<u>247,047</u>
 <u>Endowment funds:</u>		
Portion of perpetual endowment funds that are required to be permanently retained	2,015,536	2,015,536
Portion of perpetual endowment funds subject to a restriction under MCFA	635,242	431,702
Total endowment funds	<u>2,650,778</u>	<u>2,447,238</u>
Total net assets with donor restrictions	<u>\$ 7,303,830</u>	<u>\$ 9,420,247</u>

Human Services Campus, Inc.
Notes to Schedule of Expenditures of Federal Awards
June 30, 2023

Note 11 – Donated Services and Materials

The Organization received donated materials and time from professionals that the Organization would usually have to pay for the services. The estimated fair value of the donated professional services for the years ending June 30, 2023 and 2022 were \$0 and \$3,579, respectively. Contributed services are recorded within the year the services were received as revenue, without donor restrictions, and an equal amount is recorded in program expenses within the consolidated statement of activities resulting in no net impact on the changes in net assets during the year.

The estimated fair value of donated materials as of June 30, follows:

<u>Type</u>	<u>2023</u>	<u>2022</u>	<u>Utilization in Program/ Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and inputs</u>
Clothing	\$ 157,534	\$ 72,027	Client Assistance	None	Estimated fair value based on cost to purchase
Food and water	4,272	15,626	Client Assistance	None	Estimated fair value based on cost to purchase
Personal protective equipment	1,750	80,977	Client Assistance	None	Estimated fair value based on cost to purchase
Hygiene items	26,392	91,519	Client Assistance	None	Estimated fair value based on cost to purchase
Furniture	120	7,367	Client Assistance	None	Estimated fair value based on cost to purchase
Care items	1,718	17,963	Client Assistance	None	Estimated fair value based on cost to purchase
	<u>\$ 191,786</u>	<u>\$ 285,479</u>			