

**Central Arizona Shelter Services, Inc.**

**Financial Statements**

**June 30, 2023 and 2022**

**Central Arizona Shelter Services, Inc.**  
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**June 30, 2023 and 2022**

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## Independent Auditor's Report

The Board of Directors  
Central Arizona Shelter Services, Inc.  
Phoenix, Arizona

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Central Arizona Shelter Services, 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 positions of Central Arizona Shelter Services, 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.

#### **Emphasis of a Matter**

As described in Note 1, the Organization adopted Topic 842, Leases as of July 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Organization's historic accounting under Topic 840, Leases. Our opinion is not modified with respect to this matter.

#### **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 Central Arizona Shelter Services, 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.

#### **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 Central Arizona Shelter Services, 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 Central Arizona Shelter Services, 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 Central Arizona Shelter Services, 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 have also issued our report dated June 11, 2024, on our consideration of Central Arizona Shelter Services, 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. The purpose of that report is 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 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 Central Arizona Shelter Services, Inc.'s internal control over financial reporting and compliance.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

June 11, 2024

**Central Arizona Shelter Services, Inc.**  
**Statements of Financial Position**  
**June 30, 2023 and June 30, 2022**

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Current assets:		
Cash	\$ 1,452,513	\$ 1,931,869
Investments	1,325,286	1,777,239
Grants and contracts receivable	2,698,050	1,884,757
Prepaid expenses	78,363	71,829
Other assets	23,414	23,415
Total current assets	5,577,626	5,689,109
Noncurrent assets:		
Right-of-use operating assets, net	399,788	-
Right-of-use finance assets, net	127,476	-
Property and equipment, net	14,292,981	9,038,471
Total noncurrent assets	14,820,245	9,038,471
Total assets	\$ 20,397,871	\$ 14,727,580
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 681,122	\$ 765,953
Accrued payroll	69,661	111,534
Deferred revenues	164,100	500,763
Current portion of operating lease liability	157,035	-
Current portion of finance lease liability	21,789	8,723
Total current liabilities	1,093,707	1,386,973
Noncurrent liabilities:		
Accrued vacation	252,393	132,918
Operating lease liability (net of current portion)	255,490	-
Financing lease liability (net of current portion)	107,647	-
Total noncurrent liabilities	615,530	132,918
Total liabilities	1,709,237	1,519,891
Net Assets:		
Without donor restrictions		
Board designated for replacement reserves	1,330,442	500,000
Undesignated	17,054,802	12,502,287
Total without donor restrictions	18,385,244	13,002,287
With donor restrictions	303,390	205,402
Total net assets	18,688,634	13,207,689
Total liabilities and net assets	\$ 20,397,871	\$ 14,727,580

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Statements of Activities**  
**Years Ended June 30, 2023 and June 30, 2022**

	2023			2022		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenue and Support</b>						
Governmental grants and contracts	\$ 10,011,587	\$ -	\$ 10,011,587	\$ 17,539,283	\$ -	\$ 17,539,283
Contributions						
In-kind	3,782,438	-	3,782,438	660,000	-	660,000
Private contributions	2,537,071	288,000	2,825,071	4,320,443	250,000	4,570,443
Investment income (loss)	74,600	-	74,600	(246,801)	-	(246,801)
Other	505,821	-	505,821	12,591	-	12,591
Total revenue and support before fundraising events and releases from restrictions	16,911,517	288,000	17,199,517	22,285,516	250,000	22,535,516
Fundraising event revenue	-	-	-	197,177	-	197,177
Less cost of direct donor benefits	190,012	(190,012)	-	-	-	-
Net revenues from special events	190,012	(190,012)	-	197,177	-	197,177
Net assets released from purpose restrictions	-	-	-	244,598	(244,598)	-
Total revenue and support	17,101,529	97,988	17,199,517	22,727,291	5,402	22,732,693
<b>Expenses</b>						
Program services:						
Shelter for single adults	4,048,377	-	4,048,377	5,279,959	-	5,279,959
Shelter and case management for families	2,005,030	-	2,005,030	21,616	-	21,616
Case management for single adults	988,497	-	988,497	2,813,046	-	2,813,046
Child care center	-	-	-	63,835	-	63,835
Rapid rehousing	1,597,559	-	1,597,559	2,526,135	-	2,526,135
Total program services	8,639,463	-	8,639,463	10,704,591	-	10,704,591
Fundraising and development	1,047,423	-	1,047,423	952,344	-	952,344
Management and general	2,031,686	-	2,031,686	1,753,290	-	1,753,290
Total expenses	11,718,572	-	11,718,572	13,410,225	-	13,410,225
Change in net assets	5,382,957	97,988	5,480,945	9,317,066	5,402	9,322,468
Net assets, beginning of year	13,002,287	205,402	13,207,689	3,685,221	200,000	3,885,221
Net assets, end of year	\$ 18,385,244	\$ 303,390	\$ 18,688,634	\$ 13,002,287	\$ 205,402	\$ 13,207,689

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and June 30, 2022**

	<b>2023</b>			
	<b>Program Services</b>			
	<b>Shelter for Single Adults</b>	<b>Shelter and Case Management for Families</b>	<b>Case Management for Single Adults</b>	<b>Child Care Center</b>
Salaries	\$ 824,442	\$ 651,106	\$ 508,001	\$ -
Employee benefits	127,098	111,573	117,835	-
Payroll taxes	61,779	57,855	33,156	-
Grants to other organizations	-	-	23,293	-
Professional and outside services	972,595	385,018	44,480	-
Travel	11,924	8,468	29,672	-
Occupancy	959,028	355,884	107,968	-
Equipment	845	2,233	4,815	-
Direct client housing support	-	-	547	-
Program materials and supplies	141,011	118,895	15,200	-
Other expenses	40,002	38,253	39,955	-
Depreciation and amortization	253,552	275,745	-	-
In-kind services and rent	656,101	-	63,575	-
	<b>\$ 4,048,377</b>	<b>\$ 2,005,030</b>	<b>\$ 988,497</b>	<b>\$ -</b>

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and June 30, 2022**

(continued)

	<b>2023</b>				
	<u>Program Services (continued)</u>	<u>Supporting Services</u>			
	<b>Rapid Rehousing</b>	<b>Total Program Services</b>	<b>Fundraising and Development</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 208,703	\$ 2,192,252	\$ 536,269	\$ 1,198,370	\$ 3,926,891
Employee benefits	46,408	402,914	93,263	162,543	658,720
Payroll taxes	12,609	165,399	36,830	79,576	281,805
Grants to other organizations	458,527	481,820	-	-	481,820
Professional and outside services	10,471	1,412,564	171,909	301,472	1,885,945
Travel	4,376	54,440	3,953	7,021	65,414
Occupancy	11,970	1,434,850	17,647	69,075	1,521,572
Equipment	-	7,893	-	1,202	9,095
Direct client housing support	808,308	808,855	-	-	808,855
Program materials and supplies	16,884	291,990	26,744	92,262	410,996
Other expenses	17,311	135,521	150,690	54,815	341,026
Depreciation and amortization	-	529,297	-	24,698	553,995
In-kind services and rent	1,992	721,668	10,118	40,652	772,438
<b>Total expenses</b>	<b><u>\$ 1,597,559</u></b>	<b><u>\$ 8,639,463</u></b>	<b><u>\$ 1,047,423</u></b>	<b><u>\$ 2,031,686</u></b>	<b><u>\$ 11,718,572</u></b>

See Accompanying Notes to Financial Statements.



**Central Arizona Shelter Services, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and June 30, 2022**

(continued)

	<b>2022</b>			
	<b>Program Services</b>			
	<b>Shelter for Single Adults</b>	<b>Shelter and Case Management for Families</b>	<b>Case Management for Single Adults</b>	<b>Child Care Center</b>
Salaries	\$ 906,086	\$ 11,520	\$ 1,115,999	\$ 30,700
Employee benefits	144,951	-	218,108	7,234
Payroll taxes	68,186	881	80,013	2,174
Grants to other organizations	-	-	992,430	-
Professional and outside services	1,250,561	4,262	96,613	3,588
Travel	10,863	-	12,638	582
Occupancy	1,604,522	4,774	83,971	16,183
Equipment	14,026	-	18,795	-
Direct client housing support	172	-	30,780	-
Program materials and supplies	501,395	179	41,700	357
Other expenses	82,238	-	47,839	3,017
Depreciation and amortization	149,159	-	8,160	-
In-kind services and rent	547,800	-	66,000	-
<b>Total Expenses</b>	<b>\$ 5,279,959</b>	<b>\$ 21,616</b>	<b>\$ 2,813,046</b>	<b>\$ 63,835</b>

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Statements of Functional Expenses**  
**Years Ended June 30, 2023 and June 30, 2022**

(continued)

	<b>2022</b>				
	<b>Program Services (continued)</b>		<b>Supporting Services</b>		
	<b>Rapid Rehousing</b>	<b>Total Program Services</b>	<b>Fundraising and Development</b>	<b>Management and General</b>	<b>Total</b>
Salaries	\$ 448,224	\$ 2,512,529	\$ 512,915	\$ 1,022,358	\$ 4,047,802
Employee benefits	57,186	427,479	82,596	169,154	679,229
Payroll taxes	30,852	182,106	34,890	75,066	292,062
Grants to other organizations	121,016	1,113,446	-	-	1,113,446
Professional and outside services	44,304	1,399,328	165,929	182,926	1,748,183
Travel	17,972	42,055	1,044	1,908	45,007
Occupancy	9,705	1,719,155	12,584	52,010	1,783,749
Equipment	10,000	42,821	-	4,859	47,680
Direct client housing support	1,728,986	1,759,938	-	-	1,759,938
Program materials and supplies	28,892	572,523	24,773	65,657	662,953
Other expenses	22,398	155,492	111,013	141,444	407,949
Depreciation and amortization	-	157,319	-	4,908	162,227
In-kind services and rent	6,600	620,400	6,600	33,000	660,000
<b>Total Expenses</b>	<b>\$ 2,526,135</b>	<b>\$ 10,704,591</b>	<b>\$ 952,344</b>	<b>\$ 1,753,290</b>	<b>\$ 13,410,225</b>

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Statements of Cash Flows**  
**Years Ended June 30, 2023 and June 30, 2022**

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 5,480,945	\$ 9,322,468
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	553,995	162,227
Amortization of operating lease	159,915	-
Donated land	(3,010,000)	
Unrealized (gain) loss on investments	(82,032)	283,331
Changes in operating assets and liabilities		
(Increase) decrease in:		
Grants and contracts receivable	(813,293)	(658,377)
Contribution receivable	-	135,000
Prepaid expenses	(6,534)	(59,658)
Other assets	1	5,690
Increase (decrease) in:		
Accounts payable	(84,831)	496,920
Accrued payroll	(41,873)	41,980
Deferred revenues	(336,663)	414,768
Operating lease liability	(147,178)	-
Accrued vacation	119,475	7,165
Net cash provided by operating activities	1,791,927	10,151,514
<b>Cash flows from investing activities</b>		
(Purchases) sales of investments	533,985	(1,554,157)
Purchase of property and equipment	(2,794,892)	(8,374,214)
Net cash used for investing activities	(2,260,907)	(9,928,371)
<b>Cash flows from financing activities</b>		
Payments on finance lease	(10,376)	(10,868)
Net cash used for financing activities	(10,376)	(10,868)
Net change in cash and cash equivalents	(479,356)	212,275
Cash and cash equivalents, beginning of year	1,931,869	1,719,594
Cash and cash equivalents, end of year	\$ 1,452,513	\$ 1,931,869
	<b>2023</b>	<b>2022</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during year for interest	\$ 5,188	\$ 1,132

See Accompanying Notes to Financial Statements.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 1 - Principal Business Activity**

Central Arizona Shelter Services (CASS or the Organization) is Arizona's largest and most experienced emergency shelter program for individuals and families experiencing homelessness. Our mission is to prevent, and end, homelessness among individuals and families while advancing compassionate community solutions. Since 1984, we have worked tirelessly to end homelessness by providing shelter, case management, and housing services to more than 175,000 people.

CASS's Emergency Shelter program includes a Single Adult Shelter (SAS), which provides up to 600-beds nightly for single adults, and a Family Shelter, which is a 30-unit apartment complex-style shelter for homeless families with children. SAS provides housing for many vulnerable groups including veterans.

In coordination with other partner non-profits, our CASS Norton and Ramsey Social Justice Empowerment Center in Glendale offers "no wrong door" wrap around resources and support for individuals and families in the west valley at risk of becoming, and those who are experiencing homelessness.

CASS Case Managers and Housing Navigators assist clients at all locations by connecting them with local services for housing resources, health care, employment, benefits, mental health services, substance abuse treatment, identification documentation, and legal assistance.

Staff in all programs collaborate with other non-profit agencies to meet client needs.

CASS's Project Haven is currently under construction. Once building renovations are complete, this facility will house up to 170 seniors who are at risk of or those currently unhoused. We will provide case management on site. Seniors are one of the most vulnerable groups with respect to access to affordable housing.

During the year ended June 30, 2023, CASS provided shelter and supportive services to 6,902 unduplicated individuals, an increase of 4% over the prior year. More than 5,000 individuals and family members utilized our shelter services, totaling 253,302 bed nights. More than 6,000 individuals collaborated with our staff to create housing plans. More than 2,600 individuals utilized available case management support. CASS was able to help 1,587 individuals obtain safe and stable housing through Rapid Rehousing, eviction prevention and financial assistance support services.

**Note 2- Significant Accounting Policies**

**Basis of Accounting**

CASS prepares its financial statement using the accrual basis of accounting.

**Basis of Presentation**

Financial statement presentation of CASS follows the recommendations promulgated by the Financial Accounting Standards Board ("FASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). 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:

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Basis of Presentation (continued)**

*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. The organization's board may designate assets without restrictions for specific operational purposes from time to time.

*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.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets and the assets are placed in service.

**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 revenue and expenses during the reporting period. Actual results could differ from these estimates and those differences could be material.

**Cash and Cash Equivalents**

CASS considers all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to capital expenditures, permanent endowment, or other long-term purposes of the organization are excluded from this definition.

**Grants and contracts Receivable**

Grants and contracts receivable consist primarily of noninterest-bearing amounts due for emergency shelter and supportive services programs. Grants and contracts receivable are stated at the amount management expects to collect under the terms of various agreements. Management provides for probable uncollectable accounts receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of balances. Balances that are still outstanding after management has made reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At June 30, 2023 and 2022, accounts receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Contributions Receivable**

Contributions receivable expected to be collected within one year are recorded at net realizable value. Contributions receivable 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 statement of activities. Management determines the allowance for uncollectable contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. At June 30, 2023 and 2022, contributions receivable are considered by management to be collectable in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

**Investments**

CASS holds certain operational funds in investments with readily determinable fair values. Investments are recorded at their estimated fair value based on quoted market prices in the Statement of Financial Position. See Note 4 regarding the fair value measurements of investments. CASS holds certain cash and cash equivalents as part of its investment portfolio. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

**Donated Materials and Services**

Donated materials and services are reflected as contributions in the accompanying financial statements at their estimated fair values as of the date of donation. Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills performed by people with those skills, and would otherwise be purchased. CASS utilizes the services of volunteers to perform a variety of tasks that assist CASS with specific programs and fundraising campaigns. This support has not been recorded as it does not meet the recognition criteria prescribed by U.S. Generally Accepted Accounting Principles.

CASS received the following donated materials and services for the year ended June 30:

<u>Donation Description</u>	<u>Valuation Method</u>	<u>Used For</u>	<u>Donor Restrictions</u>	<u>2023</u>	<u>2022</u>
Donated program supplies	Estimated FV	Program	None	\$ 94,556	\$ -
Discounted rent	Estimated FV	Various	None	677,882	660,000
Donated land	Estimated FV	Program	None	3,010,000	-
Total				<u>\$ 3,782,438</u>	<u>\$ 660,000</u>

**Property and Equipment**

Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Impairment of Long-Lived Assets**

CASS reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

**Revenue Recognition**

Government fees and grants primarily relate to revenue received from the Arizona Department of Economic Security (DES) and other agencies for the purposes of carrying out CASS's mission. Based on the nature of these contracts, government fees and grants are recognized as revenue in the financial statements utilizing the contribution guidance in Topic 958.

Unconditional contributions received are recorded as support with or without donor-imposed restrictions based on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. Other revenues primarily consist of vending fees and other miscellaneous revenues. These are recognized at the point in time the performance obligation has been met. Event revenues consist of transactions that are considered both exchange transactions and contributions. The contributions are recorded as described above. The exchange portion is recognized when the performance obligation has been met.

**Functional Expenses**

Expenses are charged to program services and supporting services categories in the statements of activities and functional expenses based on direct expenditures incurred. Any expenditure not directly chargeable to a functional expense category is allocated based on time and effort for payroll related expenses and square footage for non-payroll related expenses.

**Professional and Outside Services**

Amounts reported in the Statement of Functional Expenses for professional and outside services consist primarily of outside security services, information technology services, and janitorial and pest control services.

**Income Tax Status**

CASS is incorporated as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and has been determined not to be a private foundation under Section 509(a)(1). Accordingly, contributions to it qualify for the charitable contribution deduction under Section 170. CASS is required annually to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entity is generally subject to income tax on net income derived from business activities unrelated to its exempt purpose. CASS's management has determined that it has no taxable unrelated business income and has not filed an Exempt Organization Business Income Tax Return (IRS Form 990-T), or its Arizona equivalent.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Income Tax Status (continued)**

Management believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements. CASS would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties were to be incurred.

**Note 3 - Liquidity**

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 1,452,513	\$ 1,931,869
Investments	1,325,286	1,777,239
Grants and contracts receivable	2,698,050	1,884,757
Less: donor restricted assets	<u>(303,390)</u>	<u>(205,402)</u>
Current available assets	<u>\$ 5,172,459</u>	<u>\$ 5,388,463</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Assets are generally maintained in the form of cash and cash equivalents and short-term receivables in order to meet its operating requirements.

**Note 4 - Fair Value Measurements**

Generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. The Organization does not have any financial instruments it values based on Level 2 inputs.

Level 3 inputs are the most subjective, and are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances. The Organization does not have any financial instruments it values based on Level 3 inputs.

Whenever available the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs may not be available for certain assets and liabilities that the Organization is required to measure fair value.



**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 4 - Fair Value Measurements (continued)**

The primary uses of fair value measures in the financial statements are:

- Recurring measurement of short-term investments.
- Recurring measurement of long-term investments.

In addition, the Organization has assets which it values using the Net Asset Value (NAV) as a practical expedient. Instead of classifying these assets in the hierarchy tables, they are separately classified as investments valued using NAV. The valuation of the Organization's investments within the fair value hierarchy levels and those valued using the NAV as a practical expedient as of June 30, 2023 and 2022, are summarized as follows.

		<u>2023</u>	<u>2022</u>
Mutual funds - bonds	Level 1	\$ 614,129	\$ 949,333
Mutual funds - equities	Level 1	711,157	803,921
Total classified in hierarchy		\$ 1,325,286	\$ 1,753,254
Alternative investments - calculated using NAV		-	23,985
Total investments		<u>\$ 1,325,286</u>	<u>\$ 1,777,239</u>

The Investments valued using NAV for the Organization consist of the following:

*Arizona Community Foundation investment pool*—During 2022 the Organization purchased shares in the Arizona Community Foundation – 100% Long Term Diversified Pool. The assets held by consisted of approximately 65% equity securities, 10% fixed income securities, 10% hedge funds, 10% private debt investments and 5% real assets. The Organization's share of the pool had an estimated fair value of \$23,985 at June 30, 2022. There were no unfunded commitments.

**Note 5 - Investments**

Investment net gain is comprised of the following for the years ended June 30:

	<u>2023</u>	<u>2022</u>
Dividends and interest	\$ 31,400	\$ 32,882
Realized loss - short-term	(127,448)	(408)
Realized loss - long-term	(611)	-
Capital gains	-	7,604
Reinvestment of dividends	(31,395)	(40,485)
Net unrealized gain (loss)	210,091	(245,751)
Investment fees	(7,445)	(6,198)
Total Net Gain on Investments	<u>\$ 74,592</u>	<u>\$ (252,356)</u>

Investment expense was \$7,445 and \$6,198 for the years ending June 30, 2023 and 2022, respectively.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 5 - Investments (continued)**

Investment cost and fair value are as follows for the years ended June 30:

	<b>Gross</b>		
	<b>Cost</b>	<b>Unrealized Loss</b>	<b>Fair Value</b>
2023			
Mutual funds - bonds	\$ 681,345	\$ (67,216)	\$ 614,129
Mutual funds - equities	745,464	(34,307)	711,157
Total investments	<u>\$ 1,426,809</u>	<u>\$ (101,523)</u>	<u>\$ 1,325,286</u>

	<b>Gross</b>		
	<b>Cost</b>	<b>Unrealized Loss</b>	<b>Fair Value</b>
2022			
Mutual funds - bonds	\$ 1,027,755	\$ (78,422)	\$ 949,333
Mutual funds - equities	1,005,718	(201,796)	803,922
Alternative investment	25,000	(1,015)	23,985
Total investments	<u>\$ 2,058,473</u>	<u>\$ (281,233)</u>	<u>\$ 1,777,240</u>

**Note 6 - Accounts Receivable**

Accounts receivable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Federal, state, and local governments	\$ 2,648,886	\$ 1,788,229
Other	49,164	96,528
Total	<u>\$ 2,698,050</u>	<u>\$ 1,884,757</u>

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 7 - Property and Equipment**

Property and equipment consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Cost or donated value		
Property and equipment not being depreciated:		
Construction in progress	\$ 1,811,012	\$ 8,280,884
Land	5,698,350	63,350
Property and equipment being depreciated:		
Buildings and leasehold improvements	7,990,548	1,371,983
Program equipment	418,809	393,997
Computer equipment	100,588	100,588
Vehicles	218,903	218,903
Office equipment	64,903	64,903
Total cost or donated value	<u>16,303,113</u>	<u>10,494,608</u>
Less accumulated depreciation	<u>(2,010,132)</u>	<u>(1,456,137)</u>
Property and equipment, net	<u>\$ 14,292,981</u>	<u>\$ 9,038,471</u>

Construction in progress at June 30, 2023 consisted primarily of the ongoing improvements for the Vista Colina property and the ongoing improvements to the Project Haven property. Vista Colina renovations are expected to be completed and placed in service in the fiscal year 2024; Project Haven is expected to be completed and placed in service in fiscal year 2025. Construction in progress at June 30, 2022 consisted primarily of the building purchase and ongoing improvements to the Project Haven property.

**Note 8 - Revolving Lines of Credit**

The Organization has a \$1,000,000 line of credit agreement with a financial institution. Interest payments are due from the date of each advance until repayment of each advance at prime plus 1.75% or a minimum of 5.00% (8.75% and 6.5%) at June 30, 2023 and 2022. The line of credit is secured by all of the Organization's personal property. The line has been renewed and has a maturity date of October 1, 2023. The line of credit was paid in full as of June 30, 2023 and June 30, 2022.

**Note 9 - Retirement Plan**

The Organization participates in a 403(b) retirement plan (tax deferred annuity) for its employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Participants may contribute their eligible compensation on a pretax basis to the plan up to a maximum allowed by the Internal Revenue Code. Participants are 100% vested in the amounts of their employee contributions and are 100% vested in employer contributions upon completion of two years of employment. Employer contributions are discretionary. Matching contributions were made by the Organization up to 4% of participants' total salaries. The Organization's matching contributions were \$110,406 and \$91,176 for the years ended June 30, 2023 and 2022, respectively.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 10 - Capitalized Leases**

The Organization currently leases real property consisting of 30 housing units, office and community space under a 5-year operating lease agreement. Because the rates implicit in the leases are generally not available, the Organization utilizes its incremental borrowing rate as the discount rate of 6.5 percent annual interest.

In addition, the Organization leases office equipment under financing agreements that went into effect in 2023, with maturity date effective until 2028. Because the rates implicit in the leases are generally not available, the Organization utilizes its incremental borrowing rate as the discount rate of 6.5 percent annual interest.

Future payments under the lease agreements were as follows:

	<u>Operating</u>	<u>Finance</u>
Years ending June 30,	\$ 173,087	\$ 23,555
2024	193,785	26,749
2025	104,672	29,932
2026	-	33,117
2027	-	36,318
2028	-	6,366
Thereafter	-	-
Total minimum lease payments	<u>471,544</u>	<u>156,037</u>
Less present value discount	<u>(59,019)</u>	<u>(26,601)</u>
Present value of minimum operating lease payments	<u>\$ 412,525</u>	<u>\$ 129,436</u>
Right-of-use asset	\$ 559,703	\$ 139,813
Less accumulated amortization	<u>(159,915)</u>	<u>(12,337)</u>
	<u>\$ 399,788</u>	<u>\$ 127,476</u>

**Note 11 - Net Assets with Donor Restrictions**

Net assets with donor restrictions were available for the following purposes or periods as of June 30:

	<u>2023</u>	<u>2022</u>
Net asset with donor restrictions:		
Vista Colina renovation	\$ 128,350	\$ -
Program supplies	20,040	-
Project Haven renovation	155,000	50,000
Financial assistance for families	-	67,678
Rental assistance, seniors and veterans	-	87,724
Total net assets with donor restrictions	<u>\$ 303,390</u>	<u>\$ 205,402</u>

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 12 - Board Designated Net Assets**

The Board of Directors of the Organization has designated \$1,330,442 and \$500,000 of unrestricted net assets for an operating reserve as of June 30, 2023 and 2022, respectively.

**Note 13 - Concentration of Credit Risk**

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash deposits in banks and financial institutions and contributions receivable.

Cash deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are exposed to loss in the event of nonperformance by the financial institutions. The Organization's management does not anticipate nonperformance by the financial institutions.

The Organization obtains a majority of their revenues through contracts and grants from various governmental agencies. Additionally, program costs are subject to audit by the contracting agency, and in the event that the contract proceeds were not spent in accordance with contract terms, the proceeds may be required to be returned to the appropriate agency. The Organization is of the opinion that an adequate provision has been made in the combined financial statements for the effect of any costs, which might be disallowed under these various contracts.

**Note 14 - Continuation of Operations**

If the governmental agencies affect significant budget reductions in the future, this source of funding could decrease. If this were to occur, it is management's opinion that the Organization would continue to operate its programs and services on a reduced scale until such time as other funding sources were secured.

**Note 15 - Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 11, 2024, the date the financial statements were available to be issued. No events have occurred, except as noted below, subsequent to the statement of financial position date through June 11, 2024, which would require adjustment of or disclosure in the financial statements.

During fiscal year 2022 the Organization purchased a hotel for the Project Haven program. The purchase of the property was funded through grants and contributions. Ongoing renovations are being completed with both private contributions and additional grant funding awarded in fiscal year 2024. The 140-unit property will provide temporary housing for individuals aged 55 years and older. The property is expected to be operational in the first quarter of fiscal year 2025 once renovations are complete.

On April 20, 2023, CASS entered into a contract for \$6,885,000 for the renovation of Project Haven to act as a senior shelter with wrap-around case management services. Subsequent change orders as of June 11, 2024 bring the contract total to \$7,755,857. The expected completion date is currently September of 2024. Additional funding, from loans, private contributions, and grants, are being sought to pay for the project. To date, two grants for renovations totaling \$6.2 million have been awarded.

**Central Arizona Shelter Services, Inc.**  
**Notes to Financial Statements**  
**June 30, 2023**

**Note 16 – Recent Accounting Pronouncements**

**Adoption of New Accounting Standards**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) amending the accounting for leases. CASS adopted the new standard effective July 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption as CASS utilized the practical expedient available under the guidance. Further, CASS elected to implement the package of practical expedients, whereby CASS 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. The implementation of this standard did not have a material impact on net assets, or the statements of activities, position, and cash flows.

Upon adoption, the CASS recognized \$559,703 in a right-of-use (“ROU”) operating asset related to its leased property and a \$139,813 right-of-use financing asset. Corresponding lease liabilities of \$559,703 and \$139,813 were also recognized. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to net assets upon adoption related to the lease implementation. As a practical expedient CASS excluded lease years prior to fiscal year 2023 as allowed by topic 842.

**Central Arizona Shelter Services, Inc.**

**Federal Awards Reports in Accordance with the Uniform Guidance**

**June 30, 2023**

**Central Arizona Shelter Services, Inc.**  
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**June 30, 2023**

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Corrective Action Plan and Summary Schedule of Prior Year Audit Findings	end of report



**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Central Arizona Shelter Services, Inc.  
Phoenix, Arizona

We have audited, 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, the financial statements of Central Arizona Shelter Services, Inc., a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 11, 2024.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. However, we did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness which is listed as finding **2023-001**.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, the auditor performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Organizations Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Central Arizona Shelter Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Central Arizona Shelter Services, Inc. response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

June 11, 2024

**Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Central Arizona Shelter Services, Inc.  
Phoenix, Arizona

***Report on Compliance for Each Major Program  
Opinion on Each Major Federal Program***

We have audited Central Arizona Shelter Services, Inc.’s (“Organization”) compliance with the types of compliance requirements described in the *OMB Compliance supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2023. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, Central Arizona Shelter Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Central Arizona Shelter Services, Inc.. and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Central Arizona Shelter Services, Inc.’s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Central Arizona Shelter Services, Inc.’s federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Central Arizona Shelter Services, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Central Arizona Shelter Services, Inc.'s compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Central Arizona Shelter Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Central Arizona Shelter Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Central Arizona Shelter Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance that are required to be reported in accordance with the Uniform Guidance and that are described in the accompanying schedule of findings and questioned costs as items **2023-101**, **2023-102** and **2023-103**. Our opinion on each major federal program is not modified with respect to these matters.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as

discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items **2023-101, 2023-102 and 2023-103** to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Central Arizona Shelter Services, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Organizations Response to Finding**

The Organization's responses to the findings identified in our audit are included in its corrective action plan at the end of this report. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on them.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Central Arizona Shelter Services, Inc. as of and for the year ended June 30, 2023, and have issued our report thereon dated June 11, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. The addition of nonfederal awards in the schedule of expenditures of federal awards is not required by Uniform Guidance and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Snyder & Brown CPAs, PLLC*

Tempe, Arizona

June 11, 2024

**Central Arizona Shelter Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2023**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified	Yes
Significant deficiencies identified	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
Material weaknesses identified	No
Significant deficiencies identified	Yes
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 500.516(a)?	Yes

Identification of major programs

**Name of Federal Program or Cluster**

**Assistance Listing Number**

Emergency Shelter Grants Program	14.231
Community Development Block Grants/Entitlement Grants	14.218
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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Is a going concern emphasis of matter paragraph included in the auditor’s report?	No
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**Central Arizona Shelter Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2023**

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**Section II – Financial Statement Findings**

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***Finding 2023-001 — Financial Close and Reporting – Material Weakness***

Criteria: A strong internal control system ensures that all material transactions have been recorded timely and accurately through an effective Financial Close and Reporting. All balance sheet accounts should be reconciled as part of the process to ensure accuracy.

Condition: During the year-end reconciliation of the balance sheet accounts, the Organization overlooked the accrual of one construction in progress invoice which was incurred in June and paid in August. This material correction to construction-in-progress, a fixed asset, and accounts payable accounts was identified during the course of the audit. An adjusting entry was made to properly state these account balances.

Cause and Effect: Limited staffing resources and oversight devoted to the financial reporting process results in the potential for errors and misstatements in the financial statements.

Auditors' Recommendations: The Organization should devote additional resources to the financial close and reporting process to ensure that all balance sheet accounts are adequately reconciled and reviewed prior to the closing process.



**Central Arizona Shelter Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2023**

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**Section III – Federal Award Findings and Questioned Costs**

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***Finding 2023-101 — Timeliness of Subrecipient Payments – Significant Deficiency in Internal Controls over Compliance (Special Tests)***

Federal program information:

Funding agencies:	U.S. Department of Housing and Urban Development
Titles:	Emergency Shelter Grants Program
Assistance Listing Number:	14.231
Award numbers:	C21-0580, 154900, 152126-0, ADES18-206228
Pass-Through grantors:	City of Glendale, Arizona, City of Phoenix, Arizona and Arizona Department of Economic Security
Compliance Requirements:	Special Tests – Payments to Subrecipients
Questioned Costs:	N/A

**Criteria:** Code of Federal Regulations § 576.203(c) *Obligation, expenditure and payment* requirements state that recipients of ESG funds must pay each subrecipient for allowable costs within 30 days after receiving the subrecipient’s complete payment request.

**Condition:** For 8 of 30 subrecipient payments selected for review it was noted that the payments were not made within the 30 day allowable period. Per discussion with management it was determined that the payments were not made within the time limit as a result of missing or inaccurate information in the subrecipient’s drawdown requests. However, no additional documentation could be provided to show that items were missing from the drawdown requests.

**Cause and Effect:** The organization does not have adequate policies and procedures in place to document the subrecipient drawdown review and they did not maintain adequate supporting documentation to show draw down requests were incomplete. The result is that there is increased chance of non-compliance with the requirements of the grant.

**Auditors’**

**Recommendations:** The organization should establish policies and procedures to ensure that drawdown requests are documented when received and should maintain adequate documentation to substantiate delays in payments made to subrecipients.

**Central Arizona Shelter Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2023**

***Finding 2023-102 — Procurement – Significant Deficiency in Internal Controls over Compliance (Procurement)***

Federal program information:

Funding agencies:	U.S. Department of Treasury
Titles:	Coronavirus State and Local Fiscal Recovery Funds
Assistance Listing Number:	21.027
Award numbers:	GR-ARPA-CASS-010123-01
Pass-Through grantors:	Arizona Governor's Office
Compliance Requirements:	Procurement
Questioned Costs:	N/A

Criteria: The Coronavirus State and Local Fiscal Recovery grant requires that the organization obtain and maintain procurement documentation to ensure price quotes are obtained or document the need for a sole source vendor.

Condition: For 1 of 3 vendors selected for testwork documentation could not be provided to support the methods and evaluation of the vendor selection process. The purchase was a large purchase requiring bids to be obtained.

Cause and Effect: Due to the turnover in the department the documentation could not be located. The lack of a strong centralized procurement process, and the failure to adhere to established controls, subjects the Organization to the risk that inappropriate vendor contracts will be approved.

Auditors'

Recommendations: The organization should establish policies and procedures to ensure that documentation is obtained and maintained regarding the procurement process and vendor selection.

**Central Arizona Shelter Services, Inc.  
Schedule of Findings and Questioned Costs  
June 30, 2023**

***Finding 2023-103 — Report Submission – Significant Deficiency in Internal Controls over Compliance (Reporting)***

Federal program information:

Funding agencies:	U.S. Department of Treasury, U.S. Department of Housing and Urban Development
Titles:	Community Development Block Grants/Entitlement Grants Funds, Emergency Shelter Grants Program, Coronavirus State and Local Fiscal Recovery
Assistance Listing Number:	14.218, 14.231, 21.027
Award numbers:	Multiple
Pass-Through grantors:	Multiple
Compliance Requirements:	Reporting
Questioned Costs:	N/A

**Criteria:** The terms of the Department’s federally funded grants and contracts and the Uniform Guidance require the submission of a single audit reporting package to the Federal Audit Clearinghouse within nine months of the auditees’ fiscal year.

**Condition:** The Department’s single audit reporting package for the fiscal year ended June 30, 2023, was not submitted to the Federal Audit Clearinghouse within nine months after the organization’s year-end.

**Cause and Effect:** Due to the turnover in the organization, there were delays in completing the year-end close of the financial statements and SEFA. The audit firm was also not able to complete the audit within the short engagement time frame. The effect is untimely submission of the single audit reporting package to the Federal Audit Clearinghouse resulting in noncompliance with federal requirements.

**Auditors’**

**Recommendations:** The organization should evaluate its resources necessary to complete the year-end closing and financial reporting process and consider the need to devote additional resources to the financial reporting process. Doing so will improve the timeliness of the organization’s submittal to the Federal Audit Clearinghouse.

## Organization's Section

**Central Arizona Shelter Services, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grantors Number</b>	<b>Expenditures</b>	<b>Pass Thru to Subrecipients</b>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grants/Entitlement Grants, passed through the:				
City of Peoria	14.218	ACON51218A	\$ 66,241	\$ -
City of Glendale	14.218	C21-0580	78,100	47,549
City of Mesa	14.218	22000109, 22000114	84,395	-
City of Phoenix	14.218	155179, 156214, 156948	2,003,192	-
CFDA 14.218 Total			<u>2,231,928</u>	<u>47,549</u>
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii passed through the:				
Arizona Department of Housing	14.228	142-21	88,878	-
Emergency Shelter Grants Program, passed through the:				
City of Glendale	14.231	C21-0580	1,040,313	434,271
City of Phoenix	14.231	152439-0, 152126-0	254,244	-
City of Mesa	14.231	23000023	91,804	-
Arizona Department of Economic Security	14.231	ADES18-206228	285,908	-
CFDA 14.231 Total			<u>1,672,269</u>	<u>434,271</u>
Total U.S. Department of Housing and Urban Development			<u>3,993,075</u>	<u>481,820</u>
<u>U.S. Department of Treasury</u>				
Coronavirus State and Local Fiscal Recovery Funds passed through the:				
Arizona Governor's Office	21.027	GR-ARPA-CASS- 010123-01	1,628,318	-
<u>U.S. Department of Health and Human Services</u>				
Temporary Assistance for Needy Families, passed through:				
Arizona Department of Economic Security	93.558	ADES18-206228	129,632	-
Social Services Block Grant, passed through the:				
Arizona Department of Economic Security	93.667	ADES18-206228	677,635	-
Total U.S. Department of Health and Human Services			<u>807,267</u>	-
<u>U.S. Department of Homeland Security</u>				
Emergency Food and Shelter Program, passed through:				
Maricopa County	97.024	N/A	661,233	-
Total U.S. Department of Homeland Security			<u>661,233</u>	-
Total Expenditures of Federal Awards			<u>\$ 7,089,893</u>	<u>\$ 481,820</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**Central Arizona Shelter Services, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Central Arizona Shelter Services, Inc. and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

**Note 2 - Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization's summary of significant accounting policies is presented in Note 1 in the Organization's basic financial statements.

**Note 3 – Assistance listing number**

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2023 Federal Assistance Listings.

**Note 4 - Indirect Costs**

The Organization elected to use the 10 percent de minimis indirect cost rate.



## Summary of Prior Audit Findings

### **Finding 2022-001 Financial Close and Reporting Material Weakness**

**Condition:** The Organization did not perform adequate yearend reconciliations of all balance sheet accounts. Material corrections to fixed assets and accounts payable were identified during the course of the audit. Adjusting entries were made to properly state the balances.

**Status:** Repeat Finding 2023-001

### **Finding FA2022-101 Timeliness of Subrecipient Payments Significant Deficiency in Internal Controls over Compliance (Special Tests)**

**Federal program information:**

<b>Funding agencies:</b>	U.S. Department of Housing and Urban Development
<b>Titles:</b>	Emergency Shelter Grants Program
<b>Assistance Listing Number:</b>	14.231
<b>Award numbers:</b>	C21-0580, 152439-0, 152126-0, ADES18-206228
<b>Pass-Through grantors:</b>	City of Glendale, Arizona, City of Phoenix, Arizona and Arizona Department of Economic Security

**Condition:** For 4 of 15 subrecipient payments selected for review it was noted that the payments were not made within the 30-day allowable period. Per discussion with management, it was determined that the payments were not made within the time limit as a result of missing or inaccurate information in the subrecipient's drawdown requests. However, no additional documentation could be provided to show that items were missing from the drawdown requests.

**Status:** Repeat Finding 2023-101



## Corrective Action Plan

### **Finding 2023-001      Financial Close and Reporting Material Weakness**

**Condition:** During the year-end reconciliation of the balance sheet accounts, the organization overlooked the accrual of one construction in progress invoice which was incurred in June and paid in August. This material correction to the construction-in-progress a fixed asset and accounts payable accounts was identified during the course of the audit. An adjusting entry was made to properly state these account balances.

**Cause and Effect:** Limited staffing resources and oversight devoted to the financial reporting process results in the potential for errors and misstatements in the financial statements

### **Management's Response and Corrective Action Plan:**

Management agrees with this finding.

Effective May 20, 2024, the Director of Finance hired an experienced professional as an Assistant Director of Finance to assist in the financial close and reporting process to ensure all balance sheet accounts are adequately reconciled and reviewed prior to the closing process.

**Contact Persons:** Craig Hollinger, Director of Finance  
Stacey Bittner, Assistant Director of Finance

**Anticipated Completion Date:** August 31, 2024

### **Finding 2023-101      Timeliness of Subrecipient Payments Significant Deficiency in Internal Controls over Compliance (Special Tests)**

#### **Federal program information:**

<b>Funding agencies:</b>	U.S. Department of Housing and Urban Development
<b>Titles:</b>	Emergency Shelter Grants Program
<b>Assistance Listing Number:</b>	14.231
<b>Award numbers:</b>	C21-0580, 154900, 152126-0, ADES18-206228
<b>Pass-Through grantors:</b>	City of Glendale, Arizona, City of Phoenix, Arizona and Arizona Department of Economic Security





### **Finding 2023-101 (Continued)**

**Condition:** For 8 of 30 subrecipient payments selected for review it was noted that the payments were not made within the 30 day allowable period. Per discussion with management it was determined that the payments were not made within the time limit as a result of missing or inaccurate information in the subrecipient's drawdown requests. However, no additional documentation could be provided to show that items were missing from the drawdown requests

**Cause and Effect:** The organization does not have adequate policies and procedures in place to document the subrecipient drawdown review and they did not maintain adequate supporting documentation to show draw down requests were incomplete. The result is that there is increased chance of non-compliance with the requirements of the grant.

### **Management's Response and Corrective Action Plan:**

Management agrees with this finding.

CASS does not have any subrecipients. However, if CASS has subrecipients in the future, comprehensive written policies and procedures will be in place to ensure all subrecipients payments are made on a timely basis and all required documentation and communications will be retained as result of missing or inaccurate information in the subrecipient's drawdown requests prior to remittance.

**Contact Persons:** Craig Hollinger, Director of Finance

**Anticipated Completion Date:** Effective July 1, 2023, CASS does not have any subrecipients.

### **Finding 2023-102 Procurement Significant Deficiency in Internal Controls over Compliance (Procurement)**

#### **Federal program information:**

<b>Funding agencies:</b>	U.S. Department of Treasury
<b>Titles:</b>	Coronavirus State and Local Fiscal Recovery Funds
<b>Assistance Listing Number:</b>	21.027
<b>Award numbers:</b>	GR-ARPA-CASS-010123-01
<b>Pass-Through grantors:</b>	Arizona Governor's Office



### **Finding 2023-102 (Continued)**

**Condition:** For 1 of 3 vendors selected for testwork documentation could not be provided to support the methods and evaluation of the vendor selection process. The purchase was a large purchase requiring bids to be obtained.

**Cause and Effect:** Due to the turnover in the department the documentation could not be located. The lack of a strong centralized procurement process, and the failure to adhere to established controls, subjects the Organization to the risk that inappropriate vendor contracts will be approved.

#### **Management's Response and Corrective Action Plan:**

Management agrees with this finding.

CASS has incorporated the Federal guidelines for procurement requirements in the CASS Accounting Manual and will follow these guidelines to ensure vendor procurement documentation is retained per Federal guidelines.

**Contact Persons:** Craig Hollinger, Director of Finance

**Anticipated Completion Date:** November 24, 2023

### **Finding 2023-103 Report Submission Significant Deficiency in Internal Controls over Compliance (Reporting)**

#### **Federal program information:**

<b>Funding agencies:</b>	U.S. Department of Treasury, U.S. Department of Housing and Urban Development
<b>Titles:</b>	Community Development Block Grants/Entitlement Grants Funds, Emergency Shelter Grants Program, Coronavirus State and Local Fiscal Recovery
<b>Assistance Listing Number:</b>	14.218, 14.231, 21.027
<b>Award numbers:</b>	Multiple
<b>Pass-Through grantors:</b>	Multiple

**Condition:** The Department's single audit reporting package for the fiscal year ended June 30, 2023, was not submitted to the Federal Audit Clearinghouse within nine months after the organization's year-end.



### **Finding 2023-103 (Continued)**

**Cause and Effect:** Due to the turnover in the organization, there were delays in completing the year-end close of the financial statements and SEFA. The audit firm was also not able to complete the audit within the short engagement time frame. The effect is untimely submission of the single audit reporting package to the Federal Audit Clearinghouse resulting in noncompliance with federal requirements.

### **Management's Response and Corrective Action Plan:**

Management agrees with this finding.

Effective May 20, 2024, the Director of Finance hired an experienced professional as an Assistant Director of Finance to assist in the completion of the year-end closing and financial reporting process. This will improve the timeliness of CASS's submittal to the Federal Audit Clearinghouse.

**Contact Persons:** Craig Hollinger, Director of Finance  
Stacey Bittner, Assistant Director of Finance

**Anticipated Completion Date:** March 31, 2025