

# **LOCAL FIRST ARIZONA FOUNDATION**

**Financial Statements, Independent Auditors' Report,  
Supplementary Information and Single Audit Reports**

**Year Ended December 31, 2020  
(with comparative totals for 2019)**

## CONTENTS

	<u>Page</u>
Independent Auditors' Report.....	1-3
Financial Statements:	
Statement of Financial Position.....	4
Statement of Activities.....	5
Statement of Functional Expenses.....	6
Statement of Cash Flows.....	7
Notes to Financial Statements.....	8-14
Supplementary Information:	
Schedule of Expenditures of Federal Awards.....	15
Notes to the Schedule of Expenditures of Federal Awards.....	16
Single Audit Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	17-18
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	19-20
Schedule of Findings and Questioned Costs.....	21-22



## Independent Auditors' Report

To the Audit Committee and the Board of Directors of  
Local First Arizona Foundation  
Phoenix, Arizona

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Local First Arizona Foundation (Local First, an Arizona nonprofit corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Local First as of December 31, 2020, 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 Matter**

As discussed in Note 1 to the financial statements, in the year ended December 31, 2020, Local First adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities* (Topic 958) – *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and made by not-for-profit organizations. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited Local First's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 22, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## ***Other Matters***

### ***Other Information***

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 information is fairly stated, in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2021, on our consideration of Local First'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 considering Local First's internal control over financial reporting and compliance.

*Fester & Chapman, PLLC*

June 9, 2021

Local First Arizona Foundation

STATEMENT OF FINANCIAL POSITION

December 31, 2020  
(with comparative totals as of December 31, 2019)

ASSETS		<u>2020</u>	<u>2019</u>
Cash and cash equivalents		\$ 1,414,020	\$ 481,714
Contributions and grants receivable		142,396	171,327
Prepaid expenses		9,981	4,685
Property and equipment, net of \$19,579 and \$16,552, respectively, of accumulated depreciation		<u>11,627</u>	<u>3,904</u>
Total assets		<u><u>\$ 1,578,024</u></u>	<u><u>\$ 661,630</u></u>

LIABILITIES AND NET ASSETS			
Accounts payable		\$ 87,508	\$ 19,539
Accrued payroll		35,076	13,453
Lending Program funds		152,833	179,121
Note payable		<u>16,330</u>	<u>16,330</u>
Total liabilities		275,417	228,443
Net assets:			
Without donor restrictions		797,202	320,932
With donor restrictions:			
Time-restricted for future periods			30,000
Purpose-restricted		<u>505,405</u>	<u>82,255</u>
Total net assets with donor restrictions		<u>505,405</u>	<u>112,255</u>
Total net assets		<u>1,302,607</u>	<u>433,187</u>
Total liabilities and net assets		<u><u>\$ 1,578,024</u></u>	<u><u>\$ 661,630</u></u>

The accompanying notes are an integral part of these financial statements.

Local First Arizona Foundation

STATEMENT OF ACTIVITIES

Year Ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Totals</u>	<u>2019</u>
Revenue and support:				
Contributions and grants	\$ 215,729	\$12,941,596	\$13,157,325	\$ 870,033
Program revenue	1,177,854		1,177,854	415,374
Paycheck Protection Program	131,700		131,700	
Special events, net of \$13,206 and \$85,051, respectively, of direct donor benefits	4,304		4,304	41,654
In-kind contributions				10,500
Other income	49,857		49,857	43,401
Net assets released from restrictions	<u>12,548,446</u>	<u>(12,548,446)</u>		
Total revenue and support	<u>14,127,890</u>	<u>393,150</u>	<u>14,521,040</u>	<u>1,380,962</u>
Functional expenses:				
Program services - economic development	13,366,155		13,366,155	991,391
Management and general	112,385		112,385	149,934
Fundraising	<u>173,080</u>		<u>173,080</u>	<u>101,040</u>
Total expenses	<u>13,651,620</u>		<u>13,651,620</u>	<u>1,242,365</u>
Change in net assets	476,270	393,150	869,420	138,597
Net assets, beginning of year	<u>320,932</u>	<u>112,255</u>	<u>433,187</u>	<u>294,590</u>
Net assets, end of year	<u>\$ 797,202</u>	<u>\$ 505,405</u>	<u>\$ 1,302,607</u>	<u>\$ 433,187</u>

The accompanying notes are an integral part of these financial statements.

Local First Arizona Foundation

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	<u>Program Services- Economic Development</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019</u>
Expenses:					
Salaries and personnel services	\$ 801,767	\$ 65,393	\$ 123,396	\$ 990,556	\$ 610,770
Employee benefits	50,397	4,372	7,757	62,526	35,749
Payroll taxes	<u>62,713</u>	<u>5,115</u>	<u>9,652</u>	<u>77,480</u>	<u>48,011</u>
Total salaries and related expenses	914,877	74,880	140,805	1,130,562	694,530
Professional services	2,102	25,346	15,000	42,448	19,908
Travel, training and meetings	17,646	36		17,682	28,772
Contracted services	213,955	6,069	10,885	230,909	293,676
Grants to others	12,088,311			12,088,311	103,945
Telephone and internet	12,003	973	1,837	14,813	9,600
Occupancy	15,906	1,295	2,448	19,649	23,373
Commercial kitchen	13,893			13,893	
Office	4,841	772	409	6,022	6,056
Printing	16,786	42		16,828	10,889
Miscellaneous	34,267	1,109		35,376	12,197
Interest					1,434
In-kind					10,500
Insurance	6,096	964		7,060	5,995
Dues and subscriptions	11,422			11,422	7,012
Advertising	11,023	899	1,696	13,618	6,490
Meals and entertainment					6,036
Depreciation	<u>3,027</u>			<u>3,027</u>	<u>1,952</u>
Total expenses	<u>\$ 13,366,155</u>	<u>\$ 112,385</u>	<u>\$ 173,080</u>	<u>\$ 13,651,620</u>	<u>\$ 1,242,365</u>

The accompanying notes are an integral part of these financial statements.

Local First Arizona Foundation

STATEMENT OF CASH FLOWS

Year Ended December 31, 2020

(with comparative totals for the year ended December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 869,420	\$ 138,597
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	3,027	1,952
Change in:		
Contributions and grants receivable	28,931	(120,503)
Prepaid expenses	(5,296)	856
Accounts payable	67,969	(15,253)
Accrued payroll	21,623	13,453
Lending Program funds	<u>(26,288)</u>	<u>39,793</u>
Net cash and cash equivalents provided by operating activities	<u>959,386</u>	<u>58,895</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(10,750)</u>	<u>          </u>
Net cash and cash equivalents used by investing activities	<u>(10,750)</u>	<u>          </u>
Cash flows from financing activities:		
Payments on note payable	<u>(16,330)</u>	<u>(37,410)</u>
Net cash and cash equivalents used by financing activities	<u>(16,330)</u>	<u>(37,410)</u>
Change in cash and cash equivalents	932,306	21,485
Cash and cash equivalents, beginning of year	<u>481,714</u>	<u>460,229</u>
Cash and cash equivalents, end of year	<u>\$ 1,414,020</u>	<u>\$ 481,714</u>
<u>Supplemental Information:</u>		
Cash paid for interest	\$	\$ 1,434

The accompanying notes are an integral part of these financial statements.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Local First Arizona Foundation (Local First) was established in 2009 to build a more diverse and resilient Arizona economy by leveraging the state's existing assets to improve opportunities for all Arizonans to build healthy lives. Using a multi-pronged approach, Local First helps develop entrepreneurship in under-resourced communities, particularly communities of color. In addition, Local First develops small scale food producers to increase access to healthy food while growing Arizona's food systems. And finally, Local First acts as the state's Rural Development Council, working in rural towns of all sizes to improve quality of life and build resiliency.

The significant accounting policies of Local First are as follows:

Basis of Presentation - Local First follows standards of accounting and financial reporting for nonprofit organizations as prescribed by accounting principles generally accepted in the United States of America. In accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) topic of *Not-for-Profit Entities*, Local First reports its financial position and operating activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include those net assets over which the Board of Directors has discretionary control in carrying out the operations of Local First. Under this category Local First maintains an operating fund, plus any net assets designated by the Board for specific purposes.

Net assets with donor restrictions include those net assets which are subject to donor or time restrictions, and for which the applicable restrictions were not met as of the end of the fiscal year.

Use of Estimates - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
- Continued

Cash and Cash Equivalents - For the purposes of the statement of cash flows, Local First considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Local First maintains its cash and cash equivalents in bank deposit accounts, which at times, may exceed federally insured limits. Local First has not experienced any losses in such accounts. Management believes it is not exposed to any significant risks on cash accounts.

Contributions and Grants Receivable - Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at net realizable value. Management considers its contributions receivable to be fully collectible within one year of the statement of financial position date, and accordingly, no allowance for doubtful accounts has been recorded. Grants receivable consist of amounts for grant expenses incurred, but reimbursement has not been received.

Prepaid Expenses - Prepaid expenses consist of amounts paid in advance for insurance, contract labor, and permits and fees relating to the subsequent year.

Property and Equipment - Property and equipment costing more than \$2,000 are capitalized and stated at historical cost. Donated assets meeting the capitalization threshold are stated at estimated fair value at the date of donation. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets is expensed as incurred. Vehicles and website development costs are depreciated over 5 years using the straight-line method.

Lending Program Funds - Lending Program funds consist of amounts held as agency funds in order to provide micro-loans for small businesses in rural areas in Arizona. Local First does not have variance power over determining the loan recipients; therefore, the liability and related cash are presented on the statement of financial position, and no revenue or related expenses are recognized in these financial statements. A third-party partnering organization disburses funds and administers the loans.

Contributions and Grants - Contributions and grants are reported in accordance with the FASB ASC topic of *Not-for-Profit Entities*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Grants are recognized when donor imposed conditions are met. Contributions and grants are recorded as with donor restrictions or without donor restrictions depending on the nature of donor restrictions. When the restriction is met on a contribution or grant, the amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
- Continued

Income Taxes - Local First is exempt from federal and state income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

Functional Expense Allocation - The costs of providing program and other activities are reported on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated to program and supporting services benefited based on directly identifiable expenses, or on management's estimates of employee hours and facility usage devoted to each function.

Prior Year Summarized Information - The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should only be read in conjunction with Local First's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Change in Accounting Principle - On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update provides a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction by clarifying how a not-for-profit organization determines whether a resource provider is participating in an exchange transaction.

Financial Impact of COVID-19 - Local First's operations have been, and continue to be affected by the recent and ongoing outbreak of the Coronavirus disease (COVID-19), which was declared a pandemic by the World Health Organization in March 2020. While the disruption is expected to be temporary, there is considerable uncertainty around the duration and the related financial impact. However, the related financial impact and duration cannot be reasonably estimated at this time.

Subsequent Events - Subsequent events have been evaluated through June 9, 2021, which was the date Local First's financial statements were issued.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 2 - LIQUIDITY AND AVAILABILITY

Local First monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. Local First has the following financial assets that could readily be made available within one year of its fiscal year end to fund expenses without limitations:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 1,414,020	\$ 481,714
Contributions and grants receivable	<u>142,396</u>	<u>171,327</u>
Total financial assets	1,556,416	653,041
Less amounts unavailable for general expenditures within one year:		
Lending Program funds	(152,833)	(179,121)
Net assets with donor restrictions	<u>(505,405)</u>	<u>(112,255)</u>
 Total financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 898,178</u>	 <u>\$ 361,665</u>

In addition to financial assets available to meet general expenditures over the year, Local First operates with a balanced budget and anticipates covering its general expenditures by collecting contributions, grants, and other revenues and by utilizing donor-restricted resources from current and prior years gifts.

NOTE 3 - CONCENTRATIONS

Local First's contributions and grants receivable totaling \$142,396 and \$171,327 at December 31, 2020 and 2019, respectively, were due in less than one year.

At December 31, 2019, 50% of contributions and grants receivable was due from one donor. Local First considers the balances to be fully collectible and has not recorded an allowance for doubtful accounts at December 31, 2020 and 2019.

During the year ended December 31, 2020, Local First received a grant from the State of Arizona for \$10,000,000 for COVID relief efforts. This grant is not expected to recur, and totaled 69% of Local First's total revenue and support in 2020.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 4 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	<u>2020</u>	<u>2019</u>
Vehicle	\$ 20,456	\$ 20,456
Website development costs	10,750	
Less: Accumulated depreciation	<u>(19,579)</u>	<u>(16,552)</u>
Property and equipment, net	<u>\$ 11,627</u>	<u>\$ 3,904</u>

Depreciation expense for the years ended December 31, 2020 and 2019, was \$3,027 and \$1,952, respectively.

NOTE 5 - NOTE PAYABLE

Local First had an unsecured note payable to the City of Phoenix with an original balance of \$75,000, bearing interest at 4.0%, payable in 24 monthly principal and interest installments of \$3,257, maturing in May 2020. The outstanding balance at December 31, 2020 and 2019 was \$0 and \$16,330, respectively.

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions activity for the year ended December 31, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Time-restricted	\$ 30,000		\$ (30,000)	
Purpose-restricted				
State of Arizona - Rent and Mortgage Relief program		\$ 10,000,000	(10,000,000)	
Feed Phoenix program		951,000	(951,000)	
Small Business Emergency Assistance		1,990,596	(1,485,191)	\$ 505,405
Other purpose restrictions	82,255		(82,255)	
	<u>\$ 112,255</u>	<u>\$ 12,941,596</u>	<u>\$ (12,548,446)</u>	<u>\$ 505,405</u>

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 6 - NET ASSETS RELEASED FROM RESTRICTIONS (CONTINUED)

Net assets with donor restrictions activity for the year ended December 31, 2019 is as follows:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Time-restricted		\$ 30,000		\$ 30,000
Purpose-restricted		173,021	\$ (90,766)	82,255
		<u>\$ 203,021</u>	<u>\$ (90,766)</u>	<u>\$ 112,255</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

During the years ended December 31, 2020 and 2019, Local First paid \$18,000 in rent expenses for a facility owned by a member of Local First's management. Management believes that rental costs are similar to, or less than, what would be paid to a non-related party.

NOTE 8 - MANAGEMENT SERVICES AGREEMENT

In December 2020, Local First Arizona Foundation (LFAF) entered into a Management Services Agreement (the Agreement) with Local First Arizona (LFA), a tax-exempt organization under section 503(c)(6) of the Internal Revenue Code. Under the Agreement, LFAF provides management, administrative, finance, human resources and other resources to LFA and is reimbursed for these services at fair market value. The Agreement is effective January 1, 2021 through December 31, 2022, and automatically renews unless terminated by either party with 30 days notice.

NOTE 9 - CONDITIONAL CONTRIBUTIONS AND GRANTS

Local First received conditional contributions and grants during the fiscal year ending December 31, 2020. Conditional contributions and grants are recorded when the donor-imposed conditions are substantially met.

Certain conditions are required to be met by the Local First in the subsequent years in order to earn and receive these amounts. As of December 31, 2020, amounts awarded but not yet earned totaled \$289,911. While management believes that the Local First will meet these conditions, they had not been met as of the year ended December 31, 2020. Accordingly, no amount has been recorded for these conditional contributions and grants as a receivable in these financial statements.

Local First Arizona Foundation

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

(with comparative financial information as of and for the year ended December 31, 2019)

NOTE 10 - PAYCHECK PROTECTION PROGRAM

On April 19, 2020, Local First was approved for a \$131,700 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan was to accrue interest at 1% and mature in two years; however, Local First received notice from the SBA that the loan had been fully forgiven on November 12, 2020. Local First accounted for the PPP loan as a conditional contribution in accordance with FASB ASC Subtopic 958-605. As of December 31, 2020, Local First had expended all of the loan proceeds for qualified payroll and other costs, and therefore recognized the loan proceeds as revenue in the Statement of Activities.

NOTE 11 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 9, 2021, which was the date Local First's financial statements were available to be issued.

In March 2021, Local First acquired Keep Arizona Beautiful, an Arizona nonprofit corporation. There was no outflow of cash or debt incurred by Local First for the acquisition.

SUPPLEMENTARY INFORMATION

Local First Arizona Foundation

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

<u>Federal Grantor/Federal Assistance Listings Number</u>	<u>Federal Program Name</u>	<u>Pass-Through Grantor</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
Department of the Treasury 21.019	COVID-19: Coronavirus Relief Fund	City of Phoenix	152576-0	\$ 951,000	\$
<b>Total Expenditures of Federal Awards</b>				<u>\$ 951,000</u>	<u>\$</u>

The accompanying notes are an integral part of these financial statements.

Local First Arizona Foundation  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Local First Arizona Foundation (Local First), and is presented on the 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 - FEDERAL ASSISTANCE LISTINGS NUMBER**

The program titles and Federal Assistance Listings numbers were obtained from the federal or pass-through grantor or the 2020 *Federal Assistance Listings*. When no Federal Assistance Listings number had been assigned to a program, the two digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the 2-digit federal agency identifier and the word "unknown" were used.

**NOTE 3 - INDIRECT COST RATE**

Local First has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## SINGLE AUDIT REPORTS



**Independent Auditors' 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***

The Board of Directors of  
Local First Arizona Foundation  
Phoenix, Arizona

We have audited, in accordance with the 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 Local First Arizona Foundation (Local First, a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Local First's internal control over financial reporting (internal control) as a basis for designing 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 Local First's internal control. Accordingly, we do not express an opinion on the effectiveness of Local First'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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Local First's financial statements are free of material misstatement, we 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 financial statements. 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*.

## **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 entity'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.

*Fester & Chapman, PLLC*

June 9, 2021



## **Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Directors of  
Local First Arizona Foundation  
Phoenix, Arizona

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

We have audited Local First Arizona Foundation's (Local First) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Local First's major federal program for the year ended December 31, 2020. Local First Arizona Foundation's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for Local First's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Local First's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Local First's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Local First complied, in all material respects, with the 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 December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of Local First is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Local First's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Local First's internal control over compliance.

*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 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.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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.

*Fester & Chapman, PLLC*

June 9, 2021

Local First Arizona Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements:**

Type of Auditors' Report issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

	<u>Yes</u>	<u>No</u>
Internal control over financial reporting:		
Material weakness(es) identified?	_____	<u>  X  </u>
Significant deficiency(ies) identified?	_____	<u>  X  </u>
		(none reported)
Noncompliance material to the financial statements noted?	_____	<u>  X  </u>

**Federal Awards:**

Internal control over major programs:		
Material weakness(es) identified?	_____	<u>  X  </u>
Significant deficiency(ies) identified?	_____	<u>  X  </u>
		(none reported)
Type of auditors' report issued on compliance for major programs:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____	<u>  X  </u>

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.019	COVID-19: Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? \_\_\_\_\_   X  

**Other Matters:**

Auditee's Summary Schedule of Prior Findings required to be reported in accordance with 2 CFR 200.511(b)? \_\_\_\_\_   X

Local First Arizona Foundation

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2020

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None.