

**Local First Arizona Foundation  
Financial Statements and Independent Auditors'  
Report for the Years Ending December 31, 2023  
With Prior Year Summarized Information for December 31, 2022**

**Report on Schedule of Expenditures of Federal Awards and Reports  
Required by Government Auditing Standards and the Uniform Guidance  
For the Year Ended December 31, 2023**

**Local First Arizona Foundation  
December 31, 2023 and 2022  
Table of Contents**

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 the Financial Statements.....	8-16
Single Audit Section:	
Auditors' Section	
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 Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	19-21
Schedule of Findings and Questioned Costs.....	22-23
Auditee's Section	
Schedule of Expenditures of Federal Awards.....	24
Notes to Schedule of Expenditures of Federal Awards.....	25
Corrective Action Plan.....	End of Report

## **Independent Auditors' Report**

To the Board of Directors  
Local First Arizona Foundation

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Local First Arizona Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Local First Arizona Foundation as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Local First Arizona Foundation 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 Local First Arizona Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### ***Auditors' 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 Auditors' 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 Local First Arizona Foundation'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 Local First Arizona Foundation'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.

### **Supplemental 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 September 30, 2024, on our consideration of Local First Arizona Foundation'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 Arizona Foundation's internal control over financial reporting and compliance.

**Report on Summarized Comparative Information**

The financial statements of Local First Arizona Foundation were previously audited by other auditors, and they expressed an unmodified opinion on those audited financial statements in their report dated August 15, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

September 30, 2024

## **Financial Statements**

**Local First Arizona Foundation**  
**Statement of Financial Position**  
**December 31, 2023**  
**(With Summarized Comparative Totals as of December 31, 2022)**

<b>Assets</b>	<b>2023</b>	<b>2022</b>
Current assets:		
Cash and cash equivalents	\$ 1,724,282	\$ 3,019,769
Contributions and grants receivable, net	3,149,520	841,714
Prepaid expenses	14,392	19,785
Operating lease - right of use asset	34,822	67,654
Property and equipment, net	493,432	202,558
Total assets	\$ 5,416,448	\$ 4,151,480
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$ 1,960,346	\$ 296,641
Accrued payroll	79,624	67,240
Refundable advances	166,026	409,608
Agency funds	123,339	167,335
Operating lease liability	34,822	32,832
Total current liabilities	2,364,157	973,656
Non-current liabilities:		
Lease liability - noncurrent	-	34,822
Total liabilities	2,364,157	1,008,478
Net assets:		
Without donor restriction	2,150,519	2,889,726
With donor restriction	901,772	253,276
Total net assets	3,052,291	3,143,002
Total liabilities and net assets	\$ 5,416,448	\$ 4,151,480

See accompanying notes to the financial statements.

**Local First Arizona Foundation**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

	<u>2023</u>			<u>2022</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenues, support, and gains:				
Contributions and grants	\$ 9,403,381	\$ 1,033,400	\$ 10,436,781	\$ 5,135,700
Program revenue	1,789,970	-	1,789,970	1,459,802
In-kind contributions	580,928	-	580,928	32,241
Other income	138,111	-	138,111	131,768
Total revenue and other support before special events and releases from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>11,912,390</u>	<u>1,033,400</u>	<u>12,945,790</u>	<u>6,759,511</u>
Special event revenue	379,248	-	379,248	195,464
Less cost of direct donor benefits	<u>(286,425)</u>	<u>-</u>	<u>(286,425)</u>	<u>(201,159)</u>
Net revenues from special events	<u>92,823</u>	<u>-</u>	<u>92,823</u>	<u>(5,695)</u>
Net assets released from restrictions	<u>384,904</u>	<u>(384,904)</u>	<u>-</u>	<u>-</u>
Total revenues, support, and gains	<u>12,390,117</u>	<u>648,496</u>	<u>13,038,613</u>	<u>6,753,816</u>
Functional Expenses:				
Program services	12,433,216	-	12,433,216	5,730,309
Management and general	486,097	-	486,097	339,779
Fundraising	210,011	-	210,011	176,653
Total expenses	<u>13,129,324</u>	<u>-</u>	<u>13,129,324</u>	<u>6,246,741</u>
Change in net assets	(739,207)	648,496	(90,711)	507,075
Net assets, beginning of year	2,889,726	253,276	3,143,002	2,635,927
Net assets, end of year	<u>\$ 2,150,519</u>	<u>\$ 901,772</u>	<u>\$ 3,052,291</u>	<u>\$ 3,143,002</u>

See accompanying notes to the financial statements.

**Local First Arizona Foundation**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

	<b>2023</b>					<b>2022</b>
	<b>Program Services - Economic Development</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Cost of Direct Benefits to Donors</b>	<b>Total</b>	
Salaries	\$ 3,414,503	\$ 328,022	\$ 186,222	\$ -	\$ 3,928,747	\$ 2,665,066
Employee benefits	566,212	56,352	-	-	622,564	434,548
Total payroll and related	<u>3,980,715</u>	<u>384,374</u>	<u>186,222</u>	<u>-</u>	<u>4,551,311</u>	<u>3,099,614</u>
Other expenses						
Grants to others	5,636,008	-	-	-	5,636,008	1,726,171
Contracted services	1,876,772	5,000	333	-	1,882,105	985,618
Event expenses	125,580	1,646	-	286,425	413,651	201,159
Office supplies	85,769	28,824	1,163	-	115,756	79,875
Miscellaneous	15,311	5,362	-	-	20,673	60,092
Occupancy	143,498	9,914	1,576	-	154,988	45,304
Dues and subscriptions	25,117	2,849	464	-	28,430	41,189
Travel	121,004	3,912	-	-	124,916	39,660
Professional services	89,457	21,497	4,770	-	115,724	38,809
Telephone and internet	5,751	376	213	-	6,340	29,592
Advertising and marketing	208,532	2,169	15,270	-	225,971	26,413
Printing	32,810	369	-	-	33,179	24,764
Professional development	24,128	5,145	-	-	29,273	-
Depreciation	24,477	4,574	-	-	29,051	20,586
Commercial kitchen	30,017	-	-	-	30,017	16,107
Insurance	8,270	10,086	-	-	18,356	12,947
Subtotal	<u>12,433,216</u>	<u>486,097</u>	<u>210,011</u>	<u>286,425</u>	<u>13,415,749</u>	<u>6,447,900</u>
Less amount reported in revenue and support on the statement of activities	-	-	-	(286,425)	(286,425)	(201,159)
Total expenses	<u>\$ 12,433,216</u>	<u>\$ 486,097</u>	<u>\$ 210,011</u>	<u>\$ -</u>	<u>\$ 13,129,324</u>	<u>\$ 6,246,741</u>

See accompanying notes to the financial statements.

**Local First Arizona Foundation**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

	<b>2023</b>	<b>2022</b>
Cash flows from operating activities:		
Change in net assets	\$ (90,711)	\$ 507,075
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation and amortization	29,051	20,586
Changes in operating assets and liabilities		
Contributions and grants receivable	(2,307,806)	(202,508)
Prepaid expenses	5,393	(13,437)
Accounts payable	1,450,706	199,161
Grants payable	213,000	-
Accrued payroll	12,384	23,272
Agency funds	(43,996)	18,150
Refundable advances	(243,582)	104,066
Net cash used by operating activities	(975,561)	656,365
Cash flows from investing activities:		
Purchases of equipment	(319,926)	(124,472)
Net cash provided (used) by investing activities	(319,926)	(124,472)
Net increase (decrease) in cash and cash equivalents	(1,295,487)	531,893
Cash and cash equivalents, beginning of year	3,019,769	2,487,876
Cash and cash equivalents, end of year	\$ 1,724,282	\$ 3,019,769

See accompanying notes to the financial statements.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 1 - Operations 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. Local First uses a multi-pronged approach to 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. 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.

With the support of diverse partners, donors, businesses, government and foundations, Local First was able to accomplish the following in 2023:

- Local First's Economic Resource Center deployed specialists that enabled more than 150 Arizona-based organizations, municipalities and Tribal Nations to access \$93M in grants for critical and regional projects. And-provided one-on-one consulting to 5,345 small and underserved businesses.
- Fuerza Local Business Accelerator and Executive Leadership programs graduated 146 Spanish-preferred owners with 22 located in rural Arizona.
- Our WeRise program graduated 38 Black Businesses with educational tools and mentorship.
- More than 120 food business startups were incubated in Local First's four Community Kitchens and 85 additional food businesses began operation from participating in our Restaurant Start-up Boot Camps. 30% of these were Spanish preferred entrepreneurs.
- Local First Community Kitchens provided weekly children's cooking classes to more than 60 low-income students of color who learned about nutrition as well as cooking skills.
- Local First community gardens produced 500 pounds of produce, and more than 2,000 additional pounds of fresh food was distributed through its food pantry.
- Local First signature events diverted 68% of waste from the landfill to reuse, compost and recycle. This included the Arizona Fall Festival which attracted 20,000 attendees, as well as Devour, a two-day culinary event with more than 80 small, local restaurants.
- Facilitated the installation of more than 400 Hydro-Panels to bring fresh drinking water to Indigenous Communities.
- Offered small business loans of up to \$25k with nominal interest to grow and prepare small businesses for the future.
- Launched Green Business Micro-Loans in Maricopa, Yavapai and Pima counties with loan repayment 100% offset by savings generated by sustainability projects.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

- Partnered with community colleges across 5 counties to develop a consistent and strategic workforce development program to benefit rural jobseekers and regional employers.

Basis of Accounting - The financial statements of Local First have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and liabilities. Revenues are recognized when earned and expenses are recorded when incurred.

Basis of Presentation - The financial statements of Local First have been prepared in accordance with U.S. Generally accepted accounting principles (US 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:

*Net Assets Without Donor Restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net Assets With Donor Restrictions* - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Estimates – The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Cash and Cash Equivalents – Cash and cash equivalents consist primarily of cash on hand and bank deposit accounts. For purposes of the statement of cash flows, Local First considers all highly liquid investments with initial maturities of three months or less to be cash equivalents.

Contributions and Grants Receivable - Unconditional promises to give that are expected to be collected within one year are recorded as receivables at net realizable value. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Local First's contributions and grants receivable were all due within one year at December 31, 2023 and 2022. Management estimated an allowance for uncollectibles of \$15,000 and \$20,703 at December 31, 2023 and 2022, respectively. Local First considers receivables as impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement.

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

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

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.

Property and equipment is depreciated using the straight-line method as follows: Vehicles, furniture and equipment, and website development costs are depreciated over 5 years, curriculum is depreciated over 7 years, and leasehold improvements are depreciated over the lesser of the estimated useful lives of the underlying assets or the life of the lease.

Fair Value of Financial Statements - Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

Refundable Advances - A portion of revenue and support is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Local First has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Agency Funds - Agency funds primarily include Lending Program funds representing amounts held 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 In-kind - Contributions in-kind are also recognized in accordance with the provisions of the FASB ASC topic of Not-for-Profit Entities. Donated equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which Local First would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. Local First also receives donated services that do not require specific expertise, but which are nonetheless central to Local First's operations. No volunteer services are recognized in the accompanying financial statements as they do not meet the above criteria; however, volunteers have donated significant amounts of their time to Local First.

During the year ended December 31, 2023, Local First recognized \$335,928 for donated services, goods and supplies and \$245,000 of land for a community garden. Donated goods are valued based on donor estimates, market rates, or industry estimates. Professional services are valued based on amounts provided by vendors that would be charged in an open market.

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

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

amount is shown as a reclassification of net assets with donor restrictions to net assets without donor restrictions.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses. Most costs are directly identifiable with specific program. Certain other costs have been allocated among the programs and supporting services benefited based on estimated time and effort expended for each function. Depreciation, occupancy, insurance and miscellaneous expenses are allocated based on the percentage of employees compared to total number of employees for each program area.

Income Tax Status - Local First qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, there is no provision for income taxes. Management of Local First believes that they have appropriate support for tax positions taken and, as such, do not have any uncertain tax positions that result in a material impact on Local First's financial position or statement of activities.

Subsequent Events - Subsequent events were evaluated by management through September 30, 2024 the date on which the financial statements were available to be issued

Leases - Local First categorizes leases with contractual terms longer than twelve months as either operating or finance leases. Finance leases are generally those leases that allow Local First to substantially utilize or pay for the entire asset over its estimated useful life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the balance sheet. Certain lease contracts include obligations to pay for other services such as operations, property taxes and maintenance. For leases of property, the services are accounted for separately and payments are allocated to the lease and other services components based on stand-alone prices.

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

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the lease assets, are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease. Costs associated with operating lease assets are recognized on a straight-line basis within operating expenses over the term of the lease.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 2 – Availability and Liquidity**

The following represents Local First's financial assets at December 31, 2023 and 2022:

Financial assets at year end:	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,724,282	\$ 3,019,769
Contributions and grants receivable, net	3,149,520	841,714
Total financial assets	<u>4,873,802</u>	<u>3,861,483</u>
Less contractual or donor-imposed restrictions:		
Agency funds	(123,339)	(167,335)
Net assets with donor restrictions	<u>(901,772)</u>	<u>(253,276)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,848,691</u>	<u>\$ 3,440,872</u>

Local First monitors its liquidity so that it is able to meet its operating needs and other contractual commitments. 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 of Credit Risk**

During the year ended December 31, 2023, Local First received a grant from the State of Arizona for \$7,255,141 for COVID relief efforts. This grant totaled 60% of Local First's total revenue and support in 2023. This grant is temporary in nature and 5,550,679 of the total was expended to subcontractors during the fiscal year.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 4 – Cash and Investments**

The Board has earmarked unrestricted cash and investments to be invested to provide income for a long but unspecified period. Certain cash and investments are restricted for specified purposes. Local First has opened a Money Market Repurchase account during the 2023 fiscal year. The amount in this account as of December 31, 2023 is \$907,088.

Local First determines the fair value of financial instruments consistent with FASB ASC 820, Fair Value Measurements and Disclosures. This standard clarifies the definitions of fair value for financial reporting, establishes a hierarchical disclosure framework for measuring fair value, and requires additional disclosures about the use of fair value measurements.

The standard provides a consistent definition of fair value which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurements is defined as follows:

*Level 1* - Valuation is based on observable inputs using quoted prices in active markets for identical assets that are accessible at the measurement date.

*Level 2* - Valuation is based on inputs from sources other than quoted prices in active markets that are either directly or indirectly observable as of the reporting date. This may include quoted prices for similar assets in an active market, quoted prices for similar assets in a market that is not as active, or valuation methods using models, interest rates and yield curves as observable inputs.

*Level 3* - Valuation is based on unobservable inputs for the asset, reflecting assumptions that a market participant would use in pricing the asset, to the extent that observable inputs (Level 1 and 2) are not available. Level 3 assets include situations where there is little or no market activity for the investment and significant management judgment or estimates are required.

The determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measure. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of the future contracts and are not necessarily an indication of risk or liquidity. The fair values of Local First's financial assets that are measured on a recurring basis as of December 31, 2023 and 2022 are as follows:

	<u>Hierarchy Level</u>	<u>2023</u>	<u>2022</u>
Cash in bank		\$ 817,194	\$ 3,019,769
Money market mutual funds	Level 1	907,088	-
Total cash and cash equivalents		<u>1,724,282</u>	<u>3,019,769</u>

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 5 – Property and Equipment**

Property and equipment consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Cost or donated value		
Furniture and equipment	67,459	3,214
Leasehold Improvements	199,139	188,458
Community garden land	245,000	-
Website development, software, and curriculum	43,275	43,275
Total cost or donated value	<u>554,873</u>	<u>234,947</u>
Accumulated depreciation/amortization	(61,441)	(32,389)
Property and equipment, net	<u>\$ 493,432</u>	<u>\$ 202,558</u>

**Note 6 - Related Party Lease Liability**

Local First has a non-cancelable operating lease with a related party (see Note 8) for office space that commenced January 1, 2021, with a term of four years ending on December 31, 2024. The present value of the lease at inception was calculated using the Organization's incremental borrowing rate of 6%. At December 31, 2023 and 2022 the remaining lease liabilities and right of use asset on this liability was each \$34,822 and \$67,654, respectively.

The future lease payments on the remaining term is \$36,000 to be paid in 2024, of which \$1,178 represents interest.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 7 – Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at December 31:

	<u>2022</u>	<u>Contributions</u>	<u>Releases</u>	<u>2023</u>
Purpose restrictions				
Food Program	\$ -	\$ 9,400	\$ -	\$ 9,400
OneAZ Credit Union		32,500	(2,500)	30,000
Flinn Foundation	25,000	25,000		50,000
<i>Sustainability Program</i>				-
US Energy	37,500	200,000	(87,500)	150,000
City of Mesa		10,000		10,000
City of Tempe		32,000	(14,545)	17,455
<i>Rural Program</i>				
United Nations Foundation		37,500	(25,000)	12,500
Kemper & Ethel Marley Foundation		25,000		25,000
<i>Arizona Economic Recovery Center</i>				
Blue Cross Blue Shield		25,000		25,000
Kemper & Ethel Marley Foundation	100,000		(100,000)	-
Vitalyst - Tribal Program		72,000		72,000
Arizona Community Foundation	45,776		(45,776)	-
Freeport-McMoRan Foundation		15,000		15,000
Total purpose restrictions	<u>208,276</u>	<u>483,400</u>	<u>(275,321)</u>	<u>416,355</u>
Time restrictions				
ASU Sustainability	10,000	-	(10,000)	-
<i>Arizona Economic Recovery Center</i>				
Vitalyst	35,000	-	(35,000)	-
Windward Fund		400,000	(33,333)	366,667
Wallace Global Fund		75,000	(12,500)	62,500
Kemper & Ethel Marley Foundation		75,000	(18,750)	56,250
Total time restrictions	<u>45,000</u>	<u>550,000</u>	<u>(109,583)</u>	<u>485,417</u>
Total net assets with donor restrictions	<u>\$ 253,276</u>	<u>\$ 1,033,400</u>	<u>\$ (384,904)</u>	<u>\$ 901,772</u>

**Note 8 – Related Party Transactions**

During the years ended December 31, 2023 and 2022, Local First paid \$36,000 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. Future minimum rental payments of \$36,000 are due annually through December 2024 under the terms of the lease agreement. See Note 6.

**Local First Arizona Foundation**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**  
**(With Summarized Comparative Information for the Year Ended December 31, 2022)**

**Note 9 – Management Services Agreement**

In December 2021, Local First Arizona Foundation (LFAF) entered into a Management Services Agreement (the Agreement) with Local First Arizona (LFA), a tax-exempt organization under section 501(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 was effective January 1, 2021 through December 31, 2022, and automatically renewed. The agreement was terminated in November 2023.

**Note 10 – Conditional Promises to Give**

Local First received conditional contributions and grants during the fiscal year ended December 31, 2023 and 2022. Conditional contributions and grants are recorded when the donor-imposed conditions are substantially met and/or a barrier has been overcome or removed by the donor. Certain conditions are required to be met by Local First in the subsequent years in order to earn and receive these amounts. As of December 31, 2023 and 2022 amounts awarded but not yet earned totaled \$2,244,310 and \$2,244,310, respectively. While management believes that Local First will meet these conditions, they had not been met as of each year end, as they consisted primarily of cost-reimbursable grants for which qualifying expenses had not yet been incurred. Accordingly, no amounts have been recorded for these conditional contributions and grants as receivables in these financial statements.

**Note 11 – Defined Contribution Retirement Plan**

In 2022 Local First began offering a 401(k) defined contribution retirement plan to its employees. Under the plan, Local First provides matching contributions of up to 3 percent of each participating employee's salary. Local First's contributions to the plan were \$23,801 and \$11,607 for the years ended December 31, 2023 and 2022 respectively.

**Note 12 – Donated Materials, Services and Other**

Donated materials services and other consisted of the following for the year ending December 31, 2023:

Type	2023 amount	Utilization in 2023	Donor Restrictions Remaining	Valuation Techniques and Inputs
Donated Land	\$ 245,000	Community Garden	None	Appraised value
Accounting service	18,067	Administrative	None	Estimated fair value based on cost to purchase
Auction items and prizes	27,206	Events	None	Estimated fair value based on cost to purchase
Donated rent	87,600	Administrative	None	Estimated fair value based on cost to purchase
Donated rent	23,269	Events	None	Estimated fair value based on cost to purchase
Donated rent	2,500	Marketing and Outreach	none	Estimated fair value based on cost to purchase
Education Services	2,000	Staff education	none	Estimated fair value based on cost to purchase
Marketing time, space and materials	152,058	Marketing and Outreach	none	Estimated fair value based on cost to purchase
Supplies	23,228	Administrative	none	Estimated fair value based on cost to purchase
	<u>\$ 580,928</u>			

## **Single Audit Section**

## **Auditors' Section**

**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***

To the Board of Directors  
Local First Arizona Foundation

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 ("Foundation"), which comprise the statement of financial position as of December 31, 2023, 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 September 30, 2024.

**Report on 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) 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 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 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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item **2023-001** that we consider to be material weaknesses.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Local First's financial statements are free from 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 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*.

**Organization’s Response to Finding**

Government Auditing Standards requires the auditor to perform limited procedures on the Organization’s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization’s 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  
September 30, 2024

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

To the Board of Directors  
Local First Arizona Foundation

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

We have audited the Local First Arizona Foundation's ("Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Local First's major federal programs for the year ended December 31, 2023. Local First's major federal programs are identified in the summary of Auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Local First 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 December 31, 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Local First Arizona Foundation 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 Local First Arizona Foundation'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 Local First Arizona Foundation's federal programs.

### ***Auditors' 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 Local First Arizona Foundation'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 Local First Arizona Foundation'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 Local First Arizona Foundation, 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 Local First Arizona Foundation, 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 Local First Arizona Foundation, 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.

## **Report on 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

September 30, 2024

**Local First Arizona Foundation  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2023**

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No (None reported)
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 2 CFR 500.516(a)?	No

Identification of major programs:

Assistance Listing Number  
21.027

Name of Federal Program or Cluster  
Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Other Matters

Auditee's summary schedule of prior audit findings	No
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## Section II – Financial Statement Findings

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### 2023-001 Significant Audit Adjustments

Criteria: To help ensure that internal and external financial reports are accurate, timely, and in accordance with generally accepted accounting principles, general ledger accounts should be reconciled on a monthly basis and supporting schedules should be prepared and reconciled with these general ledger accounts.

Condition: Although most accounts were appropriately reconciled, significant audit adjustments were necessary in order to correctly state accounts payable and in-kind activity. These entries were necessary to present the financial statements in accordance with generally accepted accounting principles. These entries were proposed, accepted, and recorded by Local First in the financial statements.

Cause and Effect: Local First has limited staff to prepare financial statements and appropriately reconcile all accounts. As a result, financial statements may not be accurately prepared for internal use on an ongoing basis.

Auditors' Recommendations: While we recognize that this condition is not unusual for an organization with limited staffing, it is important that Local First is aware of this condition for financial reporting purposes. Management and the Board of Directors should continually be aware of the financial accounting and reporting of Local First and changes in the accounting and reporting requirements.

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## Section III – Federal Award Findings and Questioned Costs

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None reported

**Auditee's Section**

**Local First Arizona Foundation  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Assistance Listing Number	Federal Program Name	Pass-Through Grantor	Pass-Through Grantor's Number	Expenditures
<b>U.S. Department of Treasury</b>				
21.027	Coronavirus State and Local Fiscal Recovery Funds	State of Arizona	GR-ARPA-102022-28, GR-ARPA-LFAF-013022-01	\$ 7,255,141
21.027	Coronavirus State and Local Fiscal Recovery Funds	State of Arizona	159202-0, 160195-0	90,094
	Total U.S. Department of Treasury			<u>7,345,235</u>
<b>U.S. Department of Agriculture</b>				
10.164	Wholesale Farmers and Alternative Market Development	Regents of the University of California	#SA22-6310-10_LFAF	76,913
10.351	Rural Business Development Grant	n/a	n/a	19,933
10.766	Community Facilities Loans and Grants	n/a	n/a	88,234
10.902	Soil and Water Conservation	n/a	n/a	17,755
10.935	Urban Agriculture and Innovative Production	n/a	n/a	161,559
10.971	Urban Agriculture and Urban County Committee Outreach, Technical Assistance, and Education	Arizona Board of Regents, University of Arizona	732013	41,041
	Total U.S. Department of Agriculture			<u>405,435</u>
<b>U.S. Department of Labor</b>				
17.278	WIOA Dislocated Worker Formula Grants	State of Arizona, The Office of the Governor	WIOA-GR-070121-01 NCE	209,138
<b>Small Business Administration</b>				
59.077	Community Navigator Pilot Program	International Rescue Committee ("IRC")	SBAHQ22CNP0002	53,440
<b>U.S. Department of Energy</b>				
81.041	State Energy Program	City of Tucson	OGFR-20-006, IGA-SEP-TUC-070123-01	108,426
	Total expenditures of federal awards			<u>\$ 8,121,674</u>

See accompanying notes to the schedule of expenditures of federal awards.

**Local First Arizona Foundation**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2023**

**Note 1 - Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Local First Arizona Foundation ("Foundation") 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 - Assistance Listing Number**

The program titles and assistance listing numbers were obtained from the federal or pass-through grantor or the 2023 assistance listing.

**Note 3 – Indirect Cost Rate**

Local First has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance for those programs that allow charging of indirect costs.

**Note 4 - Subrecipients**

Local First did not pass through federal funding to subrecipients during the year ended December 31, 2023.

## **Corrective Action Plan**

**Corrective Action Plan  
For the Year Ended December 31, 2023**

We have prepared the accompanying corrective action plan as required by the standards applicable to financial audits contained in *Government Auditing Standards* and by 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). Specifically, for each finding we are providing you with the name of the contact individual responsible for corrective action, the corrective action planned, and the anticipated completion date. The findings below are consistently numbered with the finding numbers assigned in the schedule of findings and questioned costs.

**Financial Statement Findings**

Audit Finding: **2023-001**

Person(s) Responsible: Carol Walker, CFO

Estimated Completion Date: Completed as of August 2024

Corrective Action Plan:

Local First Arizona Foundation experienced a substantial increase in government funding in 2023 and recognized the need for additional finance oversight. As a result, Local First Arizona Foundation restructured their finance team to include a part-time CFO in October 2023. The CFO position was increased to full time in 2024. Additionally, a second Grant Compliance Manager position was created and filled in February 2024.

A Gift In-Kind policy was implemented in August 2024 to ensure timely and accurate recording of in-kind activities. All financial records related to these activities will be reviewed and approved on a quarterly basis and recorded into the financials annually prior to audit.