

**AMISTADES, INC.**

**FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2023**

AMISTADES, INC.  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2023

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 309,227
Accounts receivable	58,208
Other receivable	167,294
Prepaid expenses	29,552
Rent deposit	<u>7,189</u>
Total current assets	<u>571,470</u>
NONCURRENT ASSETS	
Right of use asset	462,544
Property and equipment, net of accumulated depreciation	<u>11,021</u>
Total noncurrent assets	<u>473,565</u>
Total assets	<u><u>\$ 1,045,035</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 74,066
Credit card payable	5,786
Accrued payroll	18,133
Future minimum lease obligation	<u>188,321</u>
Total current liabilities	<u>286,306</u>
NONCURRENT LIABILITIES	
Future minimum lease obligation, less current portion	<u>274,223</u>
Total noncurrent liabilities	<u>274,223</u>
Total liabilities	<u>560,529</u>
NET ASSETS	
Without donor restrictions	481,380
With donor restrictions	<u>3,125</u>
Total net assets	<u>484,505</u>
Total liabilities and net assets	<u><u>\$ 1,045,035</u></u>

See accompanying notes and auditors' report

AMISTADES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	<u>Program</u>	<u>General and Administration</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 592,642	\$ 124,077	\$ 53,947	\$ 770,666
Payroll taxes	62,206	13,024	5,662	80,892
Employee benefits	82,110	17,191	7,474	106,775
Meetings	14,110	5,763	-	19,873
Travel	41,052	8,408	-	49,460
Insurance	6,257	1,310	570	8,137
Sponsorship	3,645	-	-	3,645
Office supplies	101,644	21,280	9,253	132,177
Program	29,362	-	-	29,362
Program materials	53,859	-	-	53,859
Printing and postage	15,163	3,175	1,380	19,718
Telecommunications	15,714	3,290	1,430	20,434
Depreciation	879	184	80	1,143
Accounting and legal	74,061	15,506	6,742	96,309
Consultants	505,181	-	-	505,181
Professional fees	68,661	-	-	68,661
Advertising	47,028	-	-	47,028
Rent and utilities	83,480	17,478	7,599	108,557
Other	14,909	3,121	1,357	19,387
Total	<u>\$ 1,811,962</u>	<u>\$ 233,807</u>	<u>\$ 95,494</u>	<u>\$ 2,141,263</u>

See accompanying notes and auditors' report

AMISTADES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Without Donor restrictions	With Donor restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 29,932	\$ -	\$ 29,932
In-kind contributions - goods	490	-	490
In-kind contributions - professional fees	17,931	-	17,931
Other income - employee retention credit	167,699	-	167,699
Grants	2,134,132	-	2,134,132
	<u>2,350,184</u>	<u>-</u>	<u>2,350,184</u>
<b>Total support and revenue</b>	<b>2,350,184</b>	<b>-</b>	<b>2,350,184</b>
<b>Net assets released from restrictions</b>			
Satisfaction of restrictions	44,707	(44,707)	-
	<u>44,707</u>	<u>(44,707)</u>	<u>-</u>
<b>Total</b>	<b>44,707</b>	<b>(44,707)</b>	<b>-</b>
<b>EXPENSES</b>			
Program	1,811,962	-	1,811,962
	<u>1,811,962</u>	<u>-</u>	<u>1,811,962</u>
<b>Total program expenses</b>	<b>1,811,962</b>	<b>-</b>	<b>1,811,962</b>
<b>Support expenses</b>			
General and administration	233,807	-	233,807
Fundraising	95,494	-	95,494
	<u>233,807</u>	<u>-</u>	<u>233,807</u>
<b>Total support expenses</b>	<b>233,807</b>	<b>-</b>	<b>233,807</b>
<b>Total expenses</b>	<b>2,141,263</b>	<b>-</b>	<b>2,141,263</b>
Changes in net assets from operations	253,628	(44,707)	208,921
	<u>253,628</u>	<u>(44,707)</u>	<u>208,921</u>
<b>INVESTING ACTIVITIES</b>			
Interest income	146	-	146
	<u>146</u>	<u>-</u>	<u>146</u>
<b>Total investing activities</b>	<b>146</b>	<b>-</b>	<b>146</b>
Changes in net assets	253,774	(44,707)	209,067
Net assets - beginning of year	227,606	47,832	275,438
	<u>227,606</u>	<u>47,832</u>	<u>275,438</u>
Net assets - end of year	<u>\$ 481,380</u>	<u>\$ 3,125</u>	<u>\$ 484,505</u>

See accompanying notes and auditors' report

AMISTADES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$	209,067
-----------------------	----	---------

Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:

Depreciation		1,143
--------------	--	-------

Changes in assets and liabilities:

(Increase) decrease in accounts receivable		54,628
(Increase) decrease in other receivable		(167,294)
(Increase) decrease in prepaid expenses		(18,501)
(Increase) decrease in rent deposit		(650)
(Increase) decrease in right of use asset		(462,544)
Increase (decrease) in accounts payable		8,330
Increase (decrease) in credit card payable		5,786
Increase (decrease) in accrued payroll		6,197
Increase (decrease) in future minimum lease obligation		462,544

Net cash provided by (used in) operating activities		<u>98,706</u>
---	--	---------------

CASH FLOWS FROM INVESTING ACTIVITIES

None		<u>-</u>
------	--	----------

Net cash provided by (used in) investing activities		<u>-</u>
---	--	----------

CASH FLOWS FROM FINANCING ACTIVITIES

None		<u>-</u>
------	--	----------

Net cash provided by (used in) financing activities		<u>-</u>
---	--	----------

Net increase (decrease) in cash and cash equivalents		98,706
--	--	--------

Cash and cash equivalents - beginning of year		<u>210,520</u>
---	--	----------------

Cash and cash equivalents - end of year	\$	<u><u>309,227</u></u>
---	----	-----------------------

See accompanying notes and auditor's report

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Organization

Amistades, Inc. (the “Organization”) is a nonprofit corporation incorporated in the State of Arizona in 2006 as a tax-exempt entity under the Internal Revenue Code Section 501(c)(3). The Organization’s tax-exempt purpose is to provide substance abuse prevention and community development to the growing Latino population in Pima County and southern Arizona. The Organization’s programs are supported primarily by grants.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis in accordance with auditing standards generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

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

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

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

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

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$2,500. Property and equipment are recorded at cost or, in the case of donated property, at their estimated fair market value at the date of the donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Currently, assets are depreciated over a useful life of five years. For the fiscal year ended June 30, 2023, depreciation expense was \$1,143.

Expenditures for repairs and maintenance are charged to operating expenses as incurred. The cost of assets sold or returned, and the related amounts of accumulated depreciation are eliminated from the accounts in the year of disposal, and the resulting gains or losses are included in operations.

Contributions

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

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

On January 1, 2014, the Organization adopted the provisions of *Accounting for Uncertainty in Income Taxes*. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of June 30, 2023, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed for 2019 and prior are closed.

Compensated Absences

Full-time employees of the Organization are entitled to paid vacations and personal days off. It is impracticable to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying statement of financial position. The Organization's policy is to recognize the costs of compensated absences when actually paid.

Advertising Costs

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2023 was \$47,028.

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Promises to Give

Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Accounts Receivable

Accounts receivable represent amounts due to the Organization that have not been collected. Management used the allowance method to account for doubtful accounts, however, an allowance has not been established, as management currently considers all accounts to be collectible.

Use of Estimates in Financial Statements

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

Contributed Services

A number of volunteers contributed services to the Organization. Only the contributed services that meet the reporting criteria for recognition have been reported at the fair market value for the services provided. Contributed services that do not meet the reporting criteria have not been included in the financial statements.

New Accounting Pronouncement

During 2022, the Organization adopted ASU 2016-02 Leases (Topic 842), which superseded existing guidance for accounting for leases under Topic 840, Leases. The adoption of the guidance requires the recognition of the remaining value of operating leases as assets and liabilities on the statement of financial position as right of use assets and future minimum lease obligations, respectively.

**NOTE 2 - CONCENTRATION OF CREDIT RISK**

The Organization maintains various deposit accounts with various institutions. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) and the National Credit Union Administration (NCUA), respectively up to \$250,000. As of June 30, 2023, the Organization's bank balances totaled \$338,183. Of the bank balances, \$16,756 was uninsured .

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fundraising and programs based on evaluations of the related benefits. General and administrative expenses include those expenses which are not directly identifiable with any other specific functions but provide for the overall support and direction of the Organization.

**NOTE 4 - OPERATING LEASES**

The Organization has entered into the following operating leases:

- A. The Organization entered into a lease with Hulualoa Pioneer, LLC in April 2023 for office space. Monthly lease payments range from \$8,284 to \$8,788 with the lease term ending in March 2026.
- B. The Organization entered into a 24-month lease with Douglas Realty Group for office space. The monthly lease payment is \$1,542, and the lease term ends in September 2024.
- C. The Organization entered into a 12-month lease with Hulualoa Pioneer, LLC in June 2022 for office space. The monthly lease payments range from \$7,165 to \$7,601 with the lease term ending in July 2025.
- D. The Organization entered into a 6-month lease agreement with Arizona Business Equipment in May 2023 for the use of an office printer. Monthly lease payments are \$150 with the lease term ending in October 2023.

As of December 31, 2022, the right-of-use asset had a balance of \$462,544, as shown in noncurrent assets on the statement of financial position; the lease liability is included in current liabilities \$188,321. The lease asset and liability were calculated using the risk-free discount rate according to the organization selected policy.

Future minimum lease payments as of June 30, 2023 follow:

	Year ending June 30,		
	2024	\$	207,596
	2025		198,769
	2026		86,697
	Total lease payments		493,062
	Interest		(30,518)
	Present value of lease liabilities	\$	462,544

Total related lease payments totaled \$119,020 for the fiscal year ended June 30, 2023.

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 5 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2023 follows:

#

Furniture and equipment	\$	5,714
Total depreciable property and equipment		5,714
Accumulated depreciation		(1,193)
Depreciable property and equipment, net		4,521
Non depreciable artwork		6,500
Property and equipment, net	\$	11,021

#

**NOTE 6 - NONCASH CONTRIBUTIONS**

The Organization receives donations of services and products from various sources. Due to the nature of grassroots efforts, services rendered do not meet the qualification for contributed services and are not included in the financial statements for presentation purposes. Donations of goods and professional services are recorded at fair market value. Noncash contributions for the fiscal year ended June 30, 2023 are comprised of the following:

Goods	\$	490
Professional services		17,931
Total	\$	18,421

#

**NOTE 8 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization's financial assets at June 30, 2023:

Financial assets at year-end:		
Cash and cash equivalents	\$	309,227
Accounts receivable		58,208
Other receivable		167,294
Total financial assets at year-end		534,729
Less amounts not available for general expenditures within one year:		
Net assets with period restrictions in excess of one year		-
Net assets with purpose restrictions		3,125
Total amounts not available to meet general expenditures within one year		3,125
Financial assets available to meet general expenditures within one year	\$	531,604

#

AMISTADES, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2023

**NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions as of June 30, 2023 are restricted as follows:

		#	Purpose	Period
FORE			\$ 3,125	\$ -
	Total		\$ 3,125	\$ -

#

**NOTE 10 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through November 17, 2023, the date the financial statements were available to be issued, and noted no subsequent events.

## Federal Compliance Section

AMISTADES, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2023

<i>Federal Program</i>	<i>Federal CFDA Number</i>	<i>Federal Expenditures</i>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Substance Abuse and Mental Health Services Projects of Regional and National Significance (m)	93.243	\$ 885,040
Drug-Free Communities Support Program	93.276	73,363
CARA Act – Comprehensive Addiction and Recovery Act of 2016	93.799	58,848
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912	<u>521,941</u>
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>1,539,192</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<u><u>\$ 1,539,192</u></u>

(m) - Program audited as a major program.

AMISTADES, INC.  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section I - Summary of Auditors' Results
--

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	_____ Yes	___X___ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	___X___ No
Noncompliance material to financial statements noted?	_____ Yes	___X___ No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?	_____ Yes	___X___ No
Reportable conditions identified that are not considered to be material weaknesses	_____ Yes	___X___ No

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with federal Uniform Guidance	_____ Yes	___X___ No
---	-----------	------------

Identification of major program:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

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

Auditee qualified as low risk auditee?	_____ Yes	___X___ No
--	-----------	------------

AMISTADES, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

There are no significant deficiencies to disclose.

Section III - Federal Award Findings

There are no federal award findings to disclose.

AMISTADES, INC.  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**Summary Schedule of Prior Audit Findings**

There are no prior audit findings to disclose.