

# **SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**

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**AUDITED FINANCIAL STATEMENTS**  
Year ended December 31, 2020



**JENNIFER J. PHILLIPS, CPA, PLLC**  
CERTIFIED PUBLIC ACCOUNTANT

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**AUDITED FINANCIAL STATEMENTS**  
Year ended December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southern Arizona Association for the Visually Impaired  
Tucson, Arizona

I have audited the accompanying financial statements of Southern Arizona Association for the Visually Impaired, 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 State 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 of material misstatement, whether due to fraud or error.

### Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Arizona Association for the Visually Impaired as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Jennifer J. Phillips, CPA, PLLC*

JENNIFER J. PHILLIPS, CPA, PLLC  
Tucson, Arizona

May 28, 2021

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2020

**ASSETS**

Cash and cash equivalents	\$ 1,544,096
Operating investments - Note 4	663,926
Contracts and program service fees receivable	995,577
Grants receivable	41,386
Other receivables	6,661
Prepaid expenses and other assets	93,312
Client equipment inventory	10,444
Land held for investment - Note 4	11,129
Property and equipment - Notes 5 and 6	436,616
Endowments:	
Cash and cash equivalents - Note 9	3,111
Investments - Notes 4 and 9	<u>183,302</u>
	<u>\$ 3,989,560</u>

**LIABILITIES AND NET ASSETS**

Liabilities:	
Accounts payable	\$ 17,071
Accrued payroll and other expenses	67,626
Accrued vacation payable	174,989
Accrued lease liability - Note 10	23,712
Custodial liabilities	<u>4,552</u>
	287,950
Net assets:	
Without donor restrictions:	
Available for operations	3,067,452
Expended for property and equipment and land held for investment	<u>447,745</u>
	3,515,197
With donor restrictions:	
Purpose restrictions - Note 8	-
Endowments - Notes 8 and 9	<u>186,413</u>
	<u>186,413</u>
	<u>3,701,610</u>
	<u>\$ 3,989,560</u>

See Accompanying Notes.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**STATEMENT OF ACTIVITIES**  
Year ended December 31, 2020

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and support:			
Fees earned from the State of Arizona, Department of Economic Security	\$ 4,025,266	\$ -	\$ 4,025,266
Governmental grants	1,184,000	-	1,184,000
Contributions	189,813	-	189,813
Bequests	6,808	-	6,808
Net investment return	38,917	11,679	50,596
Gain on sale of property	128,608	-	128,608
Other revenue	22,643	-	22,643
	<u>5,596,055</u>	<u>11,679</u>	<u>5,607,734</u>
Net assets released from restrictions	20,000	(20,000)	-
Total revenues and support	<u>5,616,055</u>	<u>(8,321)</u>	<u>5,607,734</u>
Expenses:			
Program services	4,397,724	-	4,397,724
Management and general	352,939	-	352,939
Fundraising	140,031	-	140,031
Total expenses	<u>4,890,694</u>	<u>-</u>	<u>4,890,694</u>
Change in net assets	725,361	(8,321)	717,040
Net assets, beginning of year	<u>2,789,836</u>	<u>194,734</u>	<u>2,984,570</u>
Net assets, end of year	<u>\$ 3,515,197</u>	<u>\$ 186,413</u>	<u>\$ 3,701,610</u>

See Accompanying Notes.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended December 31, 2020

	<b>Program services</b>					
	<b>Rehabilitation and employ- ment services</b>	<b>Develop- mental disability services</b>	<b>Total</b>	<b>Management and general</b>	<b>Fundraising</b>	<b>Total</b>
Salaries	\$ 2,644,007	\$ 70,195	\$ 2,714,202	\$ 233,983	\$ 93,593	\$ 3,041,778
Payroll taxes	197,820	5,252	203,072	17,506	7,002	227,580
Employee benefits	335,221	8,900	344,121	29,665	11,866	385,652
Total personnel	3,177,048	84,347	3,261,395	281,154	112,461	3,655,010
Bank service charges	1,170	31	1,201	104	41	1,346
Building repairs	34,913	803	35,716	3,210	1,204	40,130
Client assistance	15,960	-	15,960	-	-	15,960
Depreciation	112,951	2,999	115,950	9,995	3,998	129,943
Dues and subscriptions	15,540	413	15,953	1,375	550	17,878
Equipment expenses	28,719	762	29,481	2,542	1,017	33,040
Insurance	100,591	2,671	103,262	8,901	3,561	115,724
Interest expense	-	-	-	552	-	552
Meetings and conferences	9,058	208	9,266	825	320	10,411
Occupancy	354,307	8,145	362,452	32,580	12,217	407,249
Other expenses	11,633	309	11,942	1,029	412	13,383
Postage and reproduction	1,661	44	1,705	147	59	1,911
Professional services	68,839	1,828	70,667	6,091	2,437	79,195
Program equipment	167,377	-	167,377	-	-	167,377
Public relations/advertising	5,420	144	5,564	480	192	6,236
Rent for client housing	106,560	-	106,560	-	-	106,560
Supplies	38,028	-	38,028	-	-	38,028
Travel	18,432	424	18,856	1,678	652	21,186
Vehicle expense	25,707	682	26,389	2,276	910	29,575
	\$ 4,293,914	\$ 103,810	\$ 4,397,724	\$ 352,939	\$ 140,031	\$ 4,890,694

See Accompanying Notes.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**STATEMENT OF CASH FLOWS**  
Year ended December 31, 2020

Cash flows from operating activities:	
Change in net assets	\$ 717,040
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	129,943
(Gain) on sale of property	(128,608)
Realized/unrealized (gains) on operating investments	(30,755)
Endowment net investment (return)	(11,679)
(Increase) decrease in operating assets:	
Contracts and program service fees receivable	(150,001)
Grants receivable	(41,386)
Other receivables	20,534
Prepaid expenses and other assets	(40,583)
Client equipment inventory	9,499
Increase (decrease) in operating liabilities:	
Accounts payable	(42,972)
Accrued payroll and other expenses	(11,000)
Accrued vacation payable	(2,024)
Accrued lease liability	(22,649)
Custodial liabilities	44
Net cash provided by operating activities	395,403
Cash flows from investing activities:	
Purchases of property and equipment	(179,063)
Proceeds from sale of property	204,912
Purchases of operating investments/reinvested dividends	(1,474,805)
Proceeds from sale of operating investments	1,454,617
Net (addition to)/withdrawal from endowment	(5,923)
Net cash (used in) investing activities	(262)
Cash flows from financing activities:	
Net borrowings (repayments) on line of credit	(101,194)
Repayments of notes payable	(11,587)
Net cash (used in) financing activities	(112,781)
Net change in cash and cash equivalents	282,360
Cash, cash equivalents and restricted cash, beginning of year	1,264,847
Cash, cash equivalents and restricted cash, end of year	\$ 1,547,207
<u>Supplemental disclosure:</u>	
Cash paid for interest	\$ 552
No cash paid for income taxes.	

See Accompanying Notes.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2020

**NOTE 1 – Nature of operations**

Southern Arizona Association for the Visually Impaired's (SAAVI's) mission is to provide dynamic and progressive programs and services to meet the rehabilitation and social needs of individuals with vision impairment, promoting individuals to become active participants in determining their success, and raising public awareness through community involvement and establishment of partnerships with others. Funding is received principally from private donors and from vendor contracts with the State of Arizona Department of Economic Security.

SAAVI's two major programs are:

- Rehabilitation and employment services, which provide rehabilitation skills, computer, and job search skills to adults who have vision loss; and
- Developmental disability services, which provides individual and group counseling to strengthen social and communication skills and promote participant autonomy.

**NOTE 2 – Summary of significant accounting policies**

*Cash and cash equivalents*

SAAVI considers all highly liquid investments with an original maturity of three months or less which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position to the sum of the corresponding amounts within the statement of cash flows as of December 31, 2020:

Cash and cash equivalents	\$ 1,544,096
Endowment cash and cash equivalents	3,111
	<u>\$ 1,547,207</u>

*Investments*

Investments are stated at fair market value. Donated investments are recorded at their fair market value at the date of gift. Net investment income/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

*Contracts and program fees receivable*

Contracts and program fees receivable are stated at the amount management expects to collect from various governmental entities on outstanding balances. All receivables are due within one year. These amounts contain no collateral provisions for collection.

*Client equipment inventory*

Inventories are stated at the lower of cost (first-in, first-out method) or market except for donated inventory which is valued at the fair value at the date of donation. Inventory consists of visual aids purchased for issuance to clients enrolled in rehabilitation programs.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 2 – Summary of significant accounting policies – continued**

*Property and equipment*

SAAVI capitalizes all expenditures for property and equipment in excess of \$1,000 and/or aggregate of \$3,000 for like equipment with a useful life of two years or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

SAAVI reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. SAAVI has determined that there were no indicators of asset impairment during the year ended December 31, 2020.

*Vacation pay*

Vacation pay is accrued as a liability when earned by the employees since the employees receive vested rights to this benefit.

*Custodial liabilities*

Custodial liabilities consist of funds SAAVI is holding for participants in the developmental disabilities program to be used toward program activity expenses and funds held for social clubs.

*Net assets*

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 restrictions.

**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 the resources be maintained in perpetuity.

SAAVI reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions 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 and reported in the statement of activities as net assets released from restrictions.

*Endowments*

SAAVI's endowments consist of funds established by donor restriction. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 2 – Summary of significant accounting policies – continued**

The State of Arizona adopted the Management of Charitable Funds Act (the Act). The Board of Directors of SAAVI has interpreted the Act as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, SAAVI retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, SAAVI considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization.

*Revenue and revenue recognition*

DES/RSA contract revenue is recognized in the period in which the related services are performed. The performance obligation consists of providing attendant and respite services to individuals with disabilities. Services are simultaneously received and consumed.

SAAVI recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. 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. SAAVI's cost reimbursable federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. At December 31, 2020, there were \$10,500 in conditional contributions that had not been recognized in the accompanying financial statements.

*Donated goods and services*

Donated goods are valued at their fair market value. Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

- The services require specialized skills and the services are provided by individuals possessing those skills.
- The services would typically need to be purchased if not donated.

Although SAAVI uses the services of volunteers, the fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

*Functional allocation of expenses*

The Board of Directors has approved a plan to allocate costs to various programs, grants, contracts, agreements and functions.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 2 – Summary of significant accounting policies – continued**

The general approach of the plan follows:

- All allowable direct costs are charged to programs, grants, activities, locations and functions.
- Allowable direct costs that can be identified to more than one program are prorated individually as direct costs using a base more appropriate to the particular cost being prorated.
- All other allowable general and administrative costs (costs that benefit all programs and cannot be identified to a specific program) are allocated using a base that results in an equitable distribution.

*Advertising costs*

Advertising costs are expensed as incurred.

*Income tax status*

SAAVI is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to SAAVI's tax-exempt purpose may be subject to taxation as unrelated business income. In addition, SAAVI qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1).

Management of SAAVI considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that SAAVI met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, SAAVI has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for the year ended December 31, 2020.

*Use of estimates*

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

*Fair value measurements*

Fair value measurements are determined based on the assumptions—referred to as inputs—that market participants would use in pricing the asset or liability. A fair value hierarchy distinguishes between market participant assumptions and SAAVI's own assumptions about market participant assumptions. Observable inputs are assumptions based on market data obtained from independent sources, while unobservable inputs are SAAVI's own assumptions about what market participants would assume based on the best information available in the circumstances.

*Level 1 inputs.* A quoted price in an active market for an identical asset or liability is considered to be the most reliable evidence of fair value.

*Level 2 inputs.* These are observable inputs, either directly or indirectly, other than quoted prices included within Level 1. They include quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates or yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 2 – Summary of significant accounting policies – continued**

*Level 3 inputs.* These inputs are unobservable and are used to measure fair value only when observable inputs are not available. These inputs reflect management’s judgment about the assumptions that market participants would use in pricing the asset or liability.

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

*Financial instruments and credit risk*

SAAVI manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, SAAVI has not experienced losses in any of these accounts. As of December 31, 2020, uninsured cash totaled \$510,621.

Investments are made by diversified investment managers whose performance is monitored by management and the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Board of Directors believes that the investment policies and guidelines are prudent for the long-term welfare of the organization. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that such changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Credit risk associated with receivables is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of SAAVI’s mission; however, there is a potential credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations for the stated amounts.

**NOTE 3 – Liquidity and availability**

Financial assets available for general expenditure (without donor or other restrictions limiting their use) within one year of the statement of financial position date comprise the following:

Cash and cash equivalents	\$ 1,544,096
Operating investments	663,926
Receivables	1,043,623
	<u>\$ 3,251,645</u>

Endowment funds consist of donor-restricted endowments. Income from endowments are restricted for higher education and future operations. Income from the endowment funds is not available for general expenditure until appropriated by the Board.

As part of SAAVI’s liquidity management plan, cash in excess of annual operating requirements is invested in exchange-traded funds (see Note 4).

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 4 – Fair value measurements**

Investments at December 31, 2020 consisted of the following:

Operating investments	\$	663,926
Endowments		183,302
		<u>847,228</u>
	\$	<u>847,228</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statement of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	Level 1	Level 3	Total
Exchange-traded funds (ETFs)	\$ 847,228	\$ -	\$ 847,228
Land held for investment	-	11,129	11,129
	<u>\$ 847,228</u>	<u>\$ 11,129</u>	<u>\$ 858,357</u>

Changes in Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs were as follows for the year ended December 31, 2020:

Beginning balance	\$	11,129
Change in value		-
Ending balance	\$	<u>11,129</u>

*Valuation techniques*

The fair value of SAAVI's marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions. The fair value of land held for investment was determined using the property tax value of the land.

There were no changes in valuation techniques during the year ended December 31, 2020. Determinations of transfers between levels are made on an annual basis at year-end. There were no transfers between levels for the year ended December 31, 2020.

**NOTE 5 – Property and equipment**

Property and equipment consisted of the following at December 31, 2020:

Land and improvements	\$	80,514
Buildings and improvements		998,309
Leasehold improvements		141,648
Furniture, fixtures and equipment		506,159
Vehicles		714,436
		<u>2,441,066</u>
Less accumulated depreciation		<u>(2,004,450)</u>
	\$	<u>436,616</u>

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 6 – Lines of credit payable**

SAAVI has a \$300,000 line of credit with a financial institution to be drawn as needed, secured by accounts receivable and equipment, maturing in February 2022. The outstanding balance on this line of credit was \$0 at December 31, 2020. Any outstanding principal bears interest equal to the prime rate plus 3% (6.25% at December 31, 2020).

SAAVI also has an unsecured \$75,000 revolving business line of credit with a financing company to be drawn as needed for the purchase of computer equipment. The regular interest rate is 21.64% as of December 31, 2020.

**NOTE 7 – Refundable advance**

In April 2020, SAAVI was granted a \$968,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. SAAVI is eligible for loan forgiveness of up to 100% of the loan upon meeting certain requirements, including using the funds for certain payroll, rent, and utility expenses. SAAVI initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. All eligible expenses were incurred prior to fiscal year-end, and, accordingly, SAAVI recognized a contribution (governmental grant) for the year ended December 31, 2020.

**NOTE 8 – Net assets with donor restrictions**

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

	Beginning balance	Contributions/ grants	Investment return	Releases	Ending balance
Specified purpose - R.E.A.L program	\$ 20,000	\$ -	\$ -	\$ (20,000)	\$ -
Endowments:					
Subject to appropriation and expenditure (purpose):					
Higher education	29,962	-	11,311	-	41,273
Operations	680	-	368	-	1,048
	<u>30,642</u>	<u>-</u>	<u>11,679</u>	<u>-</u>	<u>42,321</u>
Subject to endowment spending policy and appropriation:					
Higher education	139,556	-	-	-	139,556
Operations	4,536	-	-	-	4,536
	<u>144,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,092</u>
Total endowments	<u>174,734</u>	<u>-</u>	<u>11,679</u>	<u>-</u>	<u>186,413</u>
	<u>\$ 194,734</u>	<u>\$ -</u>	<u>\$ 11,679</u>	<u>\$ (20,000)</u>	<u>\$ 186,413</u>

**NOTE 9 – Endowments**

*Funds with deficiencies*

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the

**SOUTHERN ARIZONA ASSOCIATION FOR THE VISUALLY IMPAIRED**  
NOTES TO FINANCIAL STATEMENTS - continued  
December 31, 2020

**NOTE 9 – Endowments – continued**

Act to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of \$0 were reported in net assets with donor restrictions as of December 31, 2020.

*Return objectives and risk parameters*

SAAVI has adopted investment policies including those for endowment assets that attempt to preserve the capital, preserve the purchasing power, and achieve long-term growth of capital of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, all assets including endowment assets are invested in a manner that is intended to produce results that exceed various external benchmarks while assuming a moderate level of investment risk.

*Investment strategies*

To satisfy its long-term rate-of-return objectives, SAAVI relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). SAAVI targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

*Spending policy*

At the beginning of each fiscal year, the Finance Committee recommends the distribution percentage to be utilized for that year for all endowments, which is then approved by SAAVI's Board of Directors. For higher education, the distribution percentage is utilized to withdraw funds once per year. Awards are approved by the Board of Directors based on recommendations of the Finance Committee. For the operating endowment, the distribution percentage is utilized to determine the amount available for withdrawal, and the Board approves how the funds will be spent.

*Endowment fund net assets*

Changes in endowment net assets consisted of the following for the year ended December 31, 2020:

	With donor restrictions
Balance, December 31, 2019	\$ 174,734
Investment return, net	11,679
Appropriations/releases	-
Balance, December 31, 2020	\$ 186,413

Endowment fund assets consisted of the following at December 31, 2020:

Cash and cash equivalents	\$ 3,111
Investments	183,302
	\$ 186,413

**NOTE 10 – Operating leases**

SAAVI leases office space in Yuma, Arizona and in Phoenix, Arizona, as well as apartments for client programming. The office lease calls for escalating rent payments over the lease period, and generally accepted accounting principles require that rent expense be recognized straight-line over the term of the lease. In the beginning of a lease term requiring escalating payments, recognizing this expense in

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**NOTE 10 – Operating leases – continued**

accordance with generally accepted accounting principles will result in accrued lease liability on the statement of financial position. The accrued lease liability was \$23,712 at December 31, 2020. Total lease expense was \$404,948 for the year ended December 31, 2020. Future minimum lease payments under the operating leases are \$200,847 for the year ended December 31, 2021.

**NOTE 11 – Retirement benefits**

SAAVI sponsors a SIMPLE IRA retirement plan. All regular full-time and part-time employees are eligible to participate in the plan, and SAAVI matches employee contributions up to 3% of the employee's salary. Funds deposited into the plan are immediately 100% vested. Total retirement expense was \$55,536 for the year ended December 31, 2020.

**NOTE 12 – Contingencies**

SAAVI has fourteen vehicles substantially paid for by the Arizona Department of Transportation (ADOT). Five vehicles were received during the year ended June 30, 2016, one vehicle was received during the year ended June 30, 2017, two vehicles were received during the year ended June 30, 2018, and six vehicles were received during the year ended December 31, 2020. ADOT has placed a lien on each of the vehicles that will remain in effect throughout the useful life of the vehicle, or until the remaining asset value is less than \$5,000, but in either case for not less than 100,000 miles. Vehicles should be used in the manner they were prescribed until they reach the end of their useful lives. If the vehicles are sold in excess of \$5,000, the federal share must be returned to ADOT.

**NOTE 13 – Concentrations**

At December 31, 2020, the majority of contracts and program service fees receivable were due from one funding source (Arizona Department of Economic Security), representing 99% of total contracts and program fees receivables. For the year ended December 31, 2020, revenue from that funding source constituted 72% of total revenues and support.

**NOTE 14 – Subsequent events**

Subsequent to year-end, SAAVI received forgiveness of its initial PPP loan and was granted a second \$874,118 loan under the program (see Note 7). Subsequent events have been evaluated through May 28, 2021, which is the date the financial statements were available to be issued.

**NOTE 15 – Change in accounting principle**

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. SAAVI has implemented Topic 606 and have adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented, with no effect on net assets.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. SAAVI has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2018-08.