

**ARIZONA BURN FOUNDATION, INC.**

Financial Statements and Independent Auditors' Report

Year Ended September 30, 2020  
(With comparative totals for 2019)

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## Independent Auditors' Report

To the Board of Directors of  
Arizona Burn Foundation, Inc.  
Phoenix, Arizona

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

We have audited the accompanying financial statements of Arizona Burn Foundation, Inc. (the Foundation, an Arizona nonprofit corporation), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arizona Burn Foundation, Inc. as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in the year ended September 30, 2020, the Foundation adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and made by not-for-profit organizations. Our opinion is not modified with respect to this matter.

## **Report on Summarized Comparative Information**

We have previously audited the Foundation's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Fester & Chapman, PLLC*

March 17, 2021

ARIZONA BURN FOUNDATION, INC.

STATEMENT OF FINANCIAL POSITION

September 30, 2020

(with comparative financial information as of September 30, 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 909,068	\$ 1,137,280
Certificates of deposit		1,200,000
Investments	1,213,080	
Pledges and grants receivable, net	146,644	116,589
Other receivables		11,474
Prepaid expenses and deposits	20,808	33,699
Inventory	53,618	85,647
Property and equipment, net	<u>858,651</u>	<u>891,795</u>
Total assets	<u>\$ 3,201,869</u>	<u>\$ 3,476,484</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 45,727	\$ 40,895
Accrued expenses	47,081	38,863
Deferred revenue		<u>9,000</u>
Total liabilities	<u>92,808</u>	<u>88,758</u>
Net assets:		
Without donor restrictions:		
Undesignated	1,467,708	1,743,581
Board designated	<u>600,000</u>	<u>600,000</u>
Total unrestricted	2,067,708	2,343,581
With donor restrictions	<u>1,041,353</u>	<u>1,044,145</u>
Total net assets	<u>3,109,061</u>	<u>3,387,726</u>
Total liabilities and net assets	<u>\$ 3,201,869</u>	<u>\$ 3,476,484</u>

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

ARIZONA BURN FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year Ended September 30, 2020

(with comparative financial information for the year ended September 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Revenue and support:				
Grants and contributions	\$ 505,413	\$ 345,078	\$ 850,491	\$ 1,013,820
Special events, net of direct donor benefits of \$115,683 and \$137,017, respectively	105,013	78,316	183,329	424,969
Paycheck Protection Program	114,700		114,700	
In-kind contributions	39,077		39,077	90,024
Investment income	36,532		36,532	10,863
Other income	35,733		35,733	4,356
Net assets released from restrictions	<u>426,186</u>	<u>(426,186)</u>		
Total revenue and support	1,262,654	(2,792)	1,259,862	1,544,032
Expenses:				
Program services	988,594		988,594	992,310
Management and general	333,575		333,575	275,405
Fundraising	<u>216,358</u>		<u>216,358</u>	<u>328,368</u>
Total expenses	<u>1,538,527</u>		<u>1,538,527</u>	<u>1,596,083</u>
Change in net assets	(275,873)	(2,792)	(278,665)	(52,051)
Net assets, beginning of year	<u>2,343,581</u>	<u>1,044,145</u>	<u>3,387,726</u>	<u>3,439,777</u>
Net assets, end of year	<u>\$ 2,067,708</u>	<u>\$ 1,041,353</u>	<u>\$ 3,109,061</u>	<u>\$ 3,387,726</u>

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

ARIZONA BURN FOUNDATION, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020  
(with comparative financial information for the year ended September 30, 2019)

	PROGRAM SERVICES			SUPPORTING SERVICES		Total 2020 Expenses	2019 Expenses
	HOPE Services	Advocacy & Education	Total Program Services	Management & General	Fundraising		
Salaries and wages	\$ 231,356	\$ 95,928	\$ 327,284	\$ 112,857	\$ 124,142	\$ 564,283	\$ 473,994
Payroll taxes and benefits	36,746	15,236	51,982	17,925	19,717	89,624	68,749
Total salaries, wages, and related	<u>268,102</u>	<u>111,164</u>	<u>379,266</u>	<u>130,782</u>	<u>143,859</u>	<u>653,907</u>	<u>542,743</u>
Accounting				12,650		12,650	15,100
Bad debt							22,201
Conferences	2,815	7,965	10,780	300	10,049	21,129	18,724
Depreciation	6,500		6,500	26,643		33,143	36,207
Direct benefits to burn survivors	210,540	6,092	216,632			216,632	306,351
Equipment and facilities				912		912	8,585
Fees and licenses	34,570	23,072	57,642	22,664	23,036	103,342	37,414
Membership dues and subscriptions	1,015	676	1,691	1,353	338	3,382	4,802
In-kind	39,077		39,077			39,077	90,024
Insurance	3,512		3,512	15,428		18,940	14,875
Other	6,103	32,342	38,445	22,400	1,526	62,371	46,129
Postage	460	49,941	50,401	2,017	909	53,327	23,485
Printing and promotion		99,369	99,369	29,149	6,728	135,246	240,671
Professional services	714	37,936	38,650	48,720	25,343	112,713	61,866
Repairs and maintenance	1,289	2,573	3,862	10,390		14,252	8,996
Supplies	3,278	849	4,127	1,012		5,139	40,274
Telephone and utilities	7,810	2,177	9,987	2,560	2,816	15,363	23,217
Training	13,118		13,118	5,000		18,118	
Travel		10,911	10,911			10,911	25,700
Vehicle, mileage, and parking	3,269	1,355	4,624	1,595	1,754	7,973	17,518
Volunteer							11,201
Total expenses	<u>\$ 602,172</u>	<u>\$ 386,422</u>	<u>\$ 988,594</u>	<u>\$ 333,575</u>	<u>\$ 216,358</u>	<u>\$ 1,538,527</u>	<u>\$ 1,596,083</u>

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

ARIZONA BURN FOUNDATION, INC.

STATEMENT OF CASH FLOWS

Year Ended September 30, 2020

(with comparative financial information for the year ended September 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ (278,665)	\$ (52,051)
Adjustments to reconcile change in net assets to net cash and cash equivalents (used) provided by operating activities:		
Depreciation	33,143	36,207
Bad debt		22,201
Unrealized gain on investments	(19,655)	
Provision for change in discount to present value for pledges receivable	4,500	(2,287)
Changes in:		
Pledges and grants receivable, net	(34,555)	253,584
Other receivables	11,474	(7,436)
Prepaid expenses and deposits	12,891	14,035
Inventory	32,029	(15,692)
Accounts payable	4,832	4,965
Accrued expenses	8,218	24,334
Deferred revenue	<u>(9,000)</u>	<u>(2,200)</u>
Net cash (used) provided by operating activities	(234,788)	275,660
Cash flows from investing activities:		
Redemption of certificates of deposit		(1,200,000)
Purchases of investments	(1,193,424)	
Proceeds from sale of certificates of deposit	<u>1,200,000</u>	
Net cash provided (used) by investing activities	<u>6,576</u>	<u>(1,200,000)</u>
Change in cash and cash equivalents	(228,212)	(924,340)
Cash and cash equivalents, beginning of year	<u>1,137,280</u>	<u>2,061,620</u>
Cash and cash equivalents, end of year	<u>\$ 909,068</u>	<u>\$ 1,137,280</u>
<u>Supplemental disclosures:</u>		
Cash paid during the year for interest	<u>\$ 0</u>	<u>\$ 0</u>

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

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

NOTE 1 - BACKGROUND AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Arizona Burn Foundation, Inc. (the Foundation) is an Arizona nonprofit corporation with a two-fold mission: to improve the quality of lives of burn survivors and their families and to provide advocacy and education on fire and burn prevention. The Foundation's Continuum of Care model addresses the needs of families and burn patients in Crisis Care, the needs of the burn survivor and their families in Recovery Care, and programs for burn survivors to help them Thrive. To accomplish this mission the Foundation sponsors the following programs:

H.O.P.E - Helping Others and Promoting Empowerment: An integrated system of care for burn survivors and their families to provide comprehensive services over time at all stages of their journey – Crisis, Recovery and Thrive. See program descriptions below:

Crisis Care: In Crisis Care the Foundation provides families of burn patients the emotional and financial support needed in the midst of their crisis. When a patient is admitted to a burn facility, one of the Foundation's staff members can be there to offer support to the family. The Foundation offers lodging, transportation services and meal vouchers that are free of charge to the families. These services help alleviate stress and offer much needed hope in those early stages of the crisis.

Recovery Care: Recovery Care begins once a burn survivor is discharged from the burn facility. Arizona Burn Foundation assesses the needs of the burn survivor and their family and creates a care plan appropriate for them. The Foundation may provide durable medical equipment, prescription payment, lodging for return clinic visits or financial assistance with rent, utilities or food if this need is not met by other means. For long term needs, the Foundation will refer clients to other agencies, helping a family through the process of completing paperwork and requirements for those agencies. As part of Recovery Care, the Foundation also offers programming for burn survivors and their families to help them in their journey to hope and wellness. This includes the Foundation's flagship program, *Camp Courage, Arizona's Children's Burn Camp*, held each summer for young burn survivors aged 6-20; *Preschool Family Camp*, to address the needs of parents and siblings of preschool burn survivors; and *Young Adult Summit*, a retreat for burn survivors aged 18-25. The Foundation also provides funding to burn survivors to attend burn conferences such as *World Burn Congress* and *Angel Faces*.

Thrive - Youth and Family Support: The ultimate goal of Arizona Burn Foundation is to help provide the emotional support needed for a burn survivor and their family to Thrive. In this stage of the Continuum of Care model the Foundation offers social gatherings where organic peer to peer support can take place. A burn injury affects the entire family, so while *Camp Courage* offers peer to peer support for young burn survivors, these social gatherings create opportunities for parents to connect with parents and siblings with siblings. The Foundation's *Leadership in Training* program, designed for burn survivors ages 16-20 at *Camp Courage*, affords young burn survivors the opportunity to give back to others who have been affected with the same injuries as themselves. In addition, the Foundation offers the *MacDonald Woods Scholarship* program to assist young burn survivors with post-secondary education.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

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

Advocacy & Education: Through these programs, the Foundation provides burn prevention education and awareness that helps keep communities in Arizona safer. See program descriptions below:

Community Smoke Alarm Program: The *Community Smoke Alarm Installation* program targets at risk neighborhoods determined by one or all of the following characteristics: low income, neighborhood older than 15 years, and/or high incidence of home fires. The majority of these events occur in low to moderate income neighborhoods serving a population who might not otherwise be able to afford a smoke alarm. A typical client is a family living in a single family dwelling that is more than 15 years old. Smoke alarms are provided free of charge and are installed by trained volunteers.

Burn Prevention Education Program: The Foundation recently launched *Milo and Moxie: Smart Safety Rangers*, a new burn prevention program designed to educate preschool through fifth graders in the state of Arizona. With the help of partners throughout the state - including fire departments, hospitals and other volunteers - we are educating more children and their families about burn prevention than ever before. This comprehensive program covers all aspects of burn and fire safety and is endorsed by Phoenix Fire Department, Professional Fire Fighters of Arizona and Arizona Burn Center.

The significant accounting policies of the Foundation follow:

Basis of Presentation: The Foundation follows standards of accounting and financial reporting prescribed by the American Institute of Certified Public Accountants' *Audit and Accounting Guide for Not-for-Profit Organizations*. Accordingly, the financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under this method of accounting, revenue and expenses are identified with specific periods of time and are recorded as earned and incurred, respectively, without regard to the date of receipt or payment.

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

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

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statement of cash flows, the Foundation considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Foundation's cash equivalents includes money market funds totaling \$6,501 and \$106,762 at September 30, 2020 and 2019, respectively.

Certificates of Deposit: Certificates of deposit were stated at cost, plus accrued interest, which approximates fair value.

Investments: The Foundation follows the provisions of FASB ASC's topic of *Not-for-Profit Entities* regarding its investments. Management has estimated the fair value of its investments using available market information and other valuation methodologies as described in Note . The estimates are based on pertinent information available to management as of September 30, 2020. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the amounts in the financial statements.

Inventory: Inventory consists of smoke alarms and educational materials and is stated at the lower of cost (first-in, first-out method) or market, or if donated, at the estimated fair value on the date received.

Property and Equipment: Property and equipment costing \$1,000 or more are stated at cost, or if donated, at the estimated fair value on the date received. The Foundation depreciates its property and equipment over the estimated useful lives of the assets using the straight-line method as follows:

Buildings and improvements	5 - 30 years
Furniture and equipment	3 - 5 years

Deferred Revenue: Deferred revenue consists of ticket sales for the Foundation's special event that occurred in the subsequent fiscal year.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

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

Grants and Contributions: The Foundation follows the FASB ASC subtopic of *Revenue Recognition for Not-for-Profit Entities*. Contributions received are recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions and conditional grants and contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions. Grant revenue includes corporation and foundation grants and is recorded in the same manner as contributions.

Donated Goods, Facilities, and Services: Donated goods and space are valued at their estimated fair value. Donated services are recognized in the financial statements at their estimated fair 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 the Foundation utilized the services of many outside 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.

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

Functional Expense Allocation: The costs of providing program services and other activities are stated on a functional basis in the accompanying financial statements. Certain costs have been allocated among the programs and supporting services benefited based on management's estimate of employee hours and facility usage devoted to each function.

Prior Year Summarized Information: The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

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

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

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

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 909,068	\$ 1,137,280
Certificates of deposit		1,200,000
Investments	1,213,080	
Pledges and grants receivable, net	146,644	116,589
Other receivables		<u>11,474</u>
Total financial assets included in current assets	<u>2,268,792</u>	<u>2,465,343</u>
Less amounts unavailable for general expenditure within one year:		
Board designated net assets	(600,000)	(600,000)
Donor restricted net assets	<u>(1,041,353)</u>	<u>(1,044,145)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 627,439</u>	<u>\$ 821,198</u>

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures by collecting contributions and grants, and by utilizing donor-restricted resources from current and prior year gifts. The Board designated net assets can be made available for general expenditures with a majority vote by the Foundation's Board of Directors.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENT

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

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. The Foundation considers all investments to be valued based on Level 1 inputs.

Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. The Foundation considers certificates of deposits to be valued based on Level 2 inputs.

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

The following were the fair value of assets measured at fair value on a recurring basis at September 30, 2020:

Equity securities	\$ 745,390
Fixed income securities	434,132
Real estate index fund	<u>33,558</u>
Total investments	<u>\$ 1,213,080</u>

NOTE 4 - PLEDGES RECEIVABLE, NET

The Foundation's pledges receivable consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 175,750	\$ 141,195
Allowance for doubtful pledges	<u>(29,106)</u>	<u>(24,606)</u>
Total pledges receivable, net	<u>\$ 146,644</u>	<u>\$ 116,589</u>

At September 30, 2020 and 2019, 57% and 78%, respectively, of the Foundation's pledges receivable was due from one company.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

NOTE 5 - PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 217,000	\$ 217,000
Buildings and improvements	806,688	806,688
Furniture and equipment	<u>90,269</u>	<u>90,269</u>
	1,113,957	1,113,957
Less accumulated depreciation	<u>(255,306)</u>	<u>(222,162)</u>
Total property and equipment, net	<u>\$ 858,651</u>	<u>\$ 891,795</u>

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions activity for the year ended June 30, 2020 consisted of the following:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Client Care Services (HOPE)	\$ 610,254	\$ 225,717	\$ (81,659)	\$ 754,312
Advocacy and Education	300,891	69,361	(184,527)	185,725
Tree Festival	110,000	78,316	(110,000)	78,316
Strategic Growth Campaign	<u>23,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>23,000</u>
	<u>\$ 1,044,145</u>	<u>\$ 423,394</u>	<u>\$ (426,186)</u>	<u>\$ 1,041,353</u>

Net assets with donor restrictions activity for the year ended June 30, 2019 consisted of the following:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Releases</u>	<u>Ending Balance</u>
Client Care Services (HOPE)	\$ 546,458	\$ 610,254	\$ (546,458)	\$ 610,254
Advocacy and Education	71,716	300,891	(71,716)	300,891
Tree Festival	89,600	110,000	(89,600)	110,000
Strategic Growth Campaign	<u>68,713</u>	<u>8,125</u>	<u>(53,838)</u>	<u>23,000</u>
	<u>\$ 776,487</u>	<u>\$ 1,029,270</u>	<u>\$ (761,612)</u>	<u>\$ 1,044,145</u>

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

NOTE 7 - PAYCHECK PROTECTION PROGRAM

On April 30, 2020, the Foundation was approved for a \$114,700 loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration (SBA). The loan accrues interest at 1% and matures in two years, but payments are not required to begin for the earlier of 10 months after the end of the Foundation's loan forgiveness covered period (either 8 or 24 weeks after the loan was funded) or when the Foundation applies for loan forgiveness. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain conditions. The loan is uncollateralized and is fully guaranteed by the Federal government. On January 12, 2021, the Small Business Administration forgave 100% of the Foundation's PPP loan.

The Foundation accounted for the PPP loan as a conditional contribution in accordance with FASB ASC Subtopic 958-605. As of September 30, 2020, the Foundation had expended \$114,700 of the loan proceeds for qualified payroll costs, and therefore recognized the loan proceeds as revenue in the Statement of Activities.

NOTE 8 - IN-KIND CONTRIBUTIONS AND EXPENSES

The Foundation recorded in-kind revenue and expenses totaling \$39,077 for the year ended September 30, 2020. This consisted of \$39,077 in donated supplies.

The Foundation recorded in-kind revenue and expenses totaling \$90,024 for the year ended September 30, 2019. This consisted of \$68,453 of donated services, and \$21,571 of donated supplies.

NOTE 9 - CONCENTRATION

The Foundation's annual signature fundraising event is the Holiday Festival of Trees, with all proceeds being used for continuation of the programs offered to the burn survivor community. During the years ended September 30, 2020 and 2019, net proceeds of \$183,329 and \$424,969, respectively, comprised 15% and 27%, respectively, of total revenue and support each year.

NOTE 10 - RETIREMENT PLAN

The Foundation participates in a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. The Plan covers all full-time and regular part-time employees of the Foundation after one year of employment. The Foundation contributes 4% of gross salaries for qualified employees to the Plan each year, subject to Board approval. Employees may elect to make contributions to the Plan up to the maximum amount allowed by the Internal Revenue Code. Employer contributions for the years ended September 30, 2020 and 2019 were \$13,383 and \$11,547, respectively.

ARIZONA BURN FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

(with comparative financial information as of and for the year ended September 30, 2019)

NOTE 11 - SUBSEQUENT EVENTS

The Foundation has evaluated subsequent events through March 17, 2021, the date which the financial statements were available to be issued, and has concluded that no events have occurred since the year ended September 30, 2020 that would require adjustment to the financial statements. However, the Foundation did note the following events that occurred subsequent to the year end that should be disclosed:

On November 10, 2020, the SBA forgave 100% of the PPP loan (see Note 7).

On March 12, 2021, the Foundation received approval from SBA for a second PPP loan in the amount of \$112,772.