CITY OF SURPRISE
Planning and Zoning Commission Agenda
16000 N. Civic Center Plaza
Surprise, AZ 85374

Thursday, February 20, 2014 @ 6:00 PM
COUNCIL CHAMBERS

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CALL TO ORDER.

A. Roll Call

B. Pledge of Allegiance

C. Current Events and Reports – Pursuant to A.R.S. §38-431.02(k) the chief administrator, presiding officer or a member of a public body may present a brief summary of current events without listing in the agenda the specific matters to be summarized, provided that 1) The summary is listed on the agenda; and 2) The public body does not propose, discuss, deliberate or take legal action at that meeting on any matter in the summary unless the specific matter is properly noticed for legal action.

D. Staff Reports

Planning and Zoning Commission Agenda:

CALL TO THE PUBLIC:

INSTRUCTIONS: In order to address the Board\Commission, you will need to fill out a Call to the Public Form available at the front counter, and then turn it in to the Secretary before the meeting begins.

Note: A.R.S. 38-431.01(H) - During this time members of the public may address the Board\Commission on any item not on the agenda. At the conclusion of the open call, the Board\Commission may respond to criticism, may ask staff to review the matter or may ask that the matter be put on a future agenda. No discussion or action shall take place on any item raised.

E. Approval of items on the Consent Agenda – all items with an asterisk (*) are considered to be routine matters and will be enacted by one motion and one roll call vote to the Board\Commission. There will be no separate discussion on these items unless a board member or commissioner requests, in which event the item will be removed from the consent agenda and considered in its normal sequence on the agenda.

CONSENT AGENDA:

REGULAR AGENDA ITEM - NON-PUBLIC HEARING:

ITEM #	DISTRICT #	ITEM DESCRIPTION	STAFF RECOMMENDATION/ PRESENTED BY

#1	District Internal	**Consideration and action on the January 9, 2014 Planning and Zoning Commission minutes.**	Approve Deb Perry, Community & Economic Development

REGULAR AGENDA ITEM - PUBLIC HEARING:

ITEM #	DISTRICT #	ITEM DESCRIPTION	STAFF RECOMMENDATION/ PRESENTED BY
#2	District Internal	**Presentation and discussion from the Community Development Block Grant Public Service applicants.**	No Action Christina Ramirez, Community and Economic Development

OTHER BUSINESS:

ADJOURNMENT:

SHERRY ANN AGUILAR, CITY CLERK, CMC

POSTED: Feb. 13, 2014 at 9:00 a.m.

SPECIAL NOTE: PERSONS WITH SPECIAL ACCESSIBILITY NEEDS, INCLUDING LARGE PRINT MATERIALS OR INTERPRETER, SHOULD CONTACT THE CITY CLERK'S OFFICE @ 623.222.1200 OR TTY 623.222.1002, BY NO LATER THAN 24 HOURS IN ADVANCE OF THE REGULAR SCHEDULED MEETING TIME.

Board Meeting Date:	February 20, 2014	Contact Person:	Deb Perry, Community & Economic Development
Submitting Department:	CD Boards and Commissions	District:	Internal
Staff Recommendations:	Approve		

Consent	Regular x	Public Hearing	Report/Discussion

Agenda Wording:

Consideration and action on the January 9, 2014 Planning and Zoning Commission minutes.

Motion:

I move to approve the January 9, 2014 Planning and Zoning Commission minutes.

Background:

Financial Impact Statement:

ATTACHMENTS:

Click to download

Minutes

External Attachment Links:

Meeting Requirements:

Powerpoint x	Video	White Board	Other x

Presentation Speaker Names (spelling and titles for TV captions):

CITY OF SURPRISE

PLANNING AND ZONING COMMISSION
16000 North Civic Center Plaza
Surprise, AZ 85374

January 9, 2014

MEETING MINUTES

CALL TO ORDER

Chair Jan Blair called the Planning and Zoning Commission Meeting to order at 6 p.m. at Surprise City Hall, 16000 North Civic Center Plaza, Surprise, Arizona 85374, on Thursday, January 9, 2014.

ROLL CALL

In attendance with Chair Blair were Vice Chair Steve Somers and Commissioners Matthew Bieniek, Dennis Smith, Ken Chapman, and Peter Pervi. Commissioner Jerry Hoyler was absent.

PLEDGE OF ALLEGIANCE

CURRENT EVENTS REPORT

STAFF REPORT

Assistant City Manager Jeff Mihelich stated that the auto mall continues to do very well. Toyota Scion should be open in the next 60 days and Ford is in the building plan stages.

CALL TO THE PUBLIC

Chair Blair called to the public to discuss any issues not noted on the agenda. Hearing no comments, Chair Blair closed the call to the public.

CONSENT AGENDA

All items listed with an asterisk (*) are considered to be routine by the Planning and Zoning Commission and were approved by one motion. There was no separate discussion of these items during this meeting.

REGULAR AGENDA ITEMS NOT REQUIRING A PUBLIC HEARING

- **Item 1**: **Consideration and Action – Planning and Zoning Commission Minutes for December 5, 2013**

Commissioner Smith made a motion to approve the **Planning and Zoning Commission Minutes for December 5, 2013.** Commissioner Chapman seconded the motion. The motion passed with a vote of 5 ayes, 1 abstain (Blair) and 1 absent (Hoyler).

- **Item 2**: **FS13-475 - Consideration and Action – Desert Bay Insurance**

Assistant Planner Katie Posler presented the project to the Commission. Staff recommended approval of **FS13-475, a site plan for Desert Bay Insurance.**

Commissioner Bieniek made a motion to approve **FS13-475, a site plan for Desert Bay Insurance** subject to conditions 'a' through 'f' with the following findings of fact:

a. The site plan is in conformance with the City of Surprise General Plan 2035.
b. The site plan is in conformance with the City of Surprise Municipal Code, Chapter 122.

Commissioner Chapman seconded the motion. The motion passed with a vote of 6 ayes and 1 absent (Hoyler).

REGULAR AGENDA ITEMS NOT REQUIRING A PUBLIC HEARING

- **Item 3**: **FS13-481 - Consideration and Action – Dutch Bros Coffee**

Planner Nikki McCarty presented the project to the Commission. Staff recommended approval of **FS13-481, a conditional use permit for Dutch Bros Coffee.**

Transportation Planning Manager Martin Lucero answered questions regarding internal site circulation and drive through stacking.

Chair Blair opened the Call to the Public. Hearing no comments, Chair Blair closed the call to the public.

Commissioner Pervi made a motion to approve **FS13-481, a Conditional Use Permit for Dutch Bros Coffee** subject to conditions 'a' through 'g' with the following findings of fact:

a. The project is in compliance with the City of Surprise General Plan,
b. The Surprise Municipal Code, Chapter 122
c. And is consistent with the West Point PAD zoning document.

Commissioner Bieniek seconded the motion. The motion passed with a vote of 6 ayes and 1 absent (Hoyler).

- **Item 4**: **FS13-079 - Consideration and Action – Tierra Verde East**

Planner Bart Wingard presented the project to the Commission. Staff recommended approval of **FS13-079, an amendment to the Tierra Verde East Planned Area Development.**

The commission had discussion regarding:

- The flood plain
- Increased density
- Change in lot sizes
- Installation of infrastructure

Tim Starkey, RLA, Coe and Van Loo, representing the applicant, answered questions the commission had regarding the project

Chair Blair opened the Call to the Public.

Andre Nixon, resident, had questions regarding the increasing traffic in the area.

Russell Hutchison, resident, had questions the setbacks and setting precedent for other incoming developments.

Hearing no further comments, Chair Blair closed the call to the public.

Commissioner Bieniek made a motion to recommend approval to the Mayor and Council, **FS13-079, an amendment to the Tierra Verde East Planned Area Development** with the following findings of fact:

a. The zoning amendment is in conformance with the City of Surprise General Plan 2035.

b. The site plan is in conformance with the City of Surprise Municipal Code, Chapter 122.

Vice Chair Somers seconded the motion. The motion passed with a vote of 6 ayes and 1 absent (Hoyler).

OTHER BUSINESS

- **Item 5**: **Discussion Only – Maricopa County's White Tank Mountain Regional Parks Master Plan Update**

Planner Bart Wingard presented the update to the Commission.

ADJOURNMENT

Hearing no further business, Chair Blair adjourned the Planning and Zoning Commission meeting at 6:50 p.m.

STAFF PRESENT:

Assistant City Manager Jeff Mihelich, Deputy City Attorney Donna Bronski, Transportation Planning Manager Martin Lucero, Planner Nichole McCarty, Planner Hobart Wingard, and Planning and Zoning Commission Secretary Deb Perry.

COUNCIL MEMBERS PRESENT: None

Jeffrey J. Mihelich
Assistant City Manager

Jan Blair, Chair
Planning and Zoning Commission

CITY OF SURPRISE
Planning and Zoning Commission

February 20, 2014 @ 6:00:00 PM

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Board Meeting Date:	February 20, 2014	Contact Person:	Christina Ramirez, Community and Economic Development
Submitting Department:	CD Boards and Commissions	District:	Internal
Staff Recommendations:	No Action		

Consent	Regular	Public Hearing	x	Report/Discussion

Agenda Wording:

Presentation and discussion from the Community Development Block Grant Public Service applicants.

Motion:

Presentations only

Background:

CDBG Public Service activities can be carried out by either city departments or qualified nonprofit organizations that are interested in providing services that address one or more of the public service needs targeted in the city's Consolidated Plan. CDBG public service funds can be used to provide a variety of public services, such as child care, health services, job training, youth services, and recreation activities for low- to moderate-income individuals and families.

Financial Impact Statement:

CDBG public service grant funds will be utilized to fund the approved applicants.

ATTACHMENTS:

Click to download

- Staff Report
- Rubric
- ABIL Application
- Benevilla Application
- CASS Application
- Gotta Run Application

- Paradise Honors Application
- St Mary's Application

External Attachment Links:

Meeting Requirements:

Powerpoint x Video White Board Other x

Presentation Speaker Names (spelling and titles for TV captions):

Christina Ramirez, Community and Economic Development

COMMUNITY AND ECONOMIC DEVELOPMENT

Date: February 20, 2014

To: Planning and Zoning Commission

From: Jeffrey J. Mihelich, Assistant City Manager
Christina Ramirez, Neighborhood Services Supervisor

Re: Public Hearing for CDBG-Funded Public Service Activities

Introduction

As an entitlement city, Surprise receives a yearly allotment of Community Development Block Grant (CDBG) funding from the U. S. Department of Housing and Urban Development (HUD). Per grant guidelines, the city has the ability to designate up to 15% of the grant award to fund eligible public services with the intent of serving low- to moderate-income persons within the City of Surprise.

Today's Planning and Zoning Commission Public Hearing is aimed at assisting the Commission in evaluating and recommending applicant(s) to City Council from the pool of applicants. Applicants will have the opportunity to give a brief presentation where they will explain the need they intend on addressing and give details on the programs they are seeking funding for. Commission members will also be given an opportunity to ask clarifying questions. Commission members will then have to score each applicant in preparation for the funding discussion and subsequent recommendations to be voted on during the March 6, 2014 Planning and Zoning meeting.

Upon approval by City Council, the CDBG Public Services Activities will be submitted to HUD as part of the Annual Action Plan 2014-15.

Background

CDBG Public Service activities can be carried out by either city departments or qualified nonprofit organizations that are interested in providing services that address one or more of the public service needs targeted in the city's Consolidated Plan. CDBG public service funds can be used to provide a variety of public services, such as child care, health services, job training, youth services, and recreation activities for low- to moderate-income individuals and families.

According to HUD regulations, CDBG funds may be used to provide public services (including labor, supplies, materials and other costs), provided the public service is:

- A new service or a quantifiable increase in the level of a service (for city-initiated projects only).
- Serve low- to moderate-income persons in the City of Surprise through area benefit or serving a particular clientele like seniors or homeless persons.

Funding Limit

CDBG Public Service funding is limited to 15% of the annual CDBG allocation for the program year (PY). The anticipated CDBG allocation for City of Surprise for PY 2014-15 is approximately $512,181, thus the funding available to award to any and all applications cannot exceed $76,827.

Previous Actions

Last year the city awarded funding to three area non-profits, to include:

- St. Mary's Food Bank was awarded $19,975 to provide emergency food assistance,
- Benevilla was awarded $16,134 to provide home delivered meals, adult and child day care services, and
- Arizona Charter Academy was awarded $13,829 to provide a literacy camp to area youths.
- Surprise Summer Youth Employment Program was awarded $26,889 to provide job training to area youth.

The application process for this year is as follows:

1. December 23, 2013 – Application process opened, Public Notice published
2. January 23, 2014 – Applications due
3. February 20, 2014- Planning and Zoning Commission Public Services Public Hearing
4. March 6, 2014- Planning and Zoning meeting to approve funding recommendation for Action Plan
5. March 7 - April 7, 2014 – Comment Period
6. April 1, 2014 – City Council Workshop
7. April 15, 2014 – City Council Public Hearing and Approval

Updated Actions

The Request for Application for CDBG Public Service activities for PY 2014-15 was released on December 23, 2013. Applications were due by January 23, 2014. Staff recommends Commission members evaluate the eligible applications as per the scoring rubric (Attachment 1) approved by Planning and Zoning Commission at the regular meeting on December 12, 2013.

Future Actions

- Planning and Zoning funding recommendations: March 6, 2014
- City Council Workshop: April 1, 2014
- City Council Public Hearing and approval April 15, 2014
- Submission to HUD as part of Annual Action Plan 2012-13 by May 15, 2014.

Recommendations

Hear applicant presentations, score applications, and be prepared to discuss and make funding recommendations at the March 6, 2014 Planning and Zoning meeting.

	Program Design and Community Impact (50 PTS)						Experience and Capacity (35 Points)				Leveraging (10 Points)		Reference (5)	
Organization	Evidence of Need (10 Points)	High Priority in Consolidated Plan (10 Points)	Feasible as presented (10 Points)	Sustainable (5 Points)	Assisting Priority Population (10 Points)	Program can be completed within 12 months (5 Points)	Existing ongoing Program (10 Points)	Readiness (5 Points)	Sufficient Experienced Staff (10 Points)	Experience working with Federal Programs (10 Points)	Letters of Commitment for Additional Funds Needed (5 Points)	Pledge of Leveraging Resources (5 Points)	Letters of Reference (5 Points)	TOTAL

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to the Welcome Center
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

RECEIVED
JAN 22 2014
BY: AHR

Organization Information

Name of Organization:	Arizona Bridge to Independent Living (ABIL)
Contact Person:	Darrel Christenson
Contact Person Title:	Vice President of Community Integration
Mailing Address:	5025 E. Washington St., Suite 200, Phoenix, AZ 85034-7437
Street Address *(if different from mailing)*:	SAME
Phone:	(602) 296-0530
Fax:	(602) 254-6407
E-mail:	darrelc@abil.org
Website URL *(if applicable)*:	www.abil.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- X Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	Yes	No	NA
Drug Free Policies	X		
Fair Housing Policies	X		
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	Surprise Program for Home Accessibility (SPHA)

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☐ Recreation programs
- ☐ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- X Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:______________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

For persons with disabilities, securing accessible and affordable housing is always universally considered the biggest impediment to living independently in the community. Currently, many people with disabilities have difficulty moving about in their homes due to architectural barriers and there are long waiting lists for ready-made accessible units. According to a study published in the American Journal of Public Health, Arizona has the highest prevalence of adults with disabilities at 25.9% and the Valley being the third highest metropolitan statistical area at 25.6%. As our population ages, the percentage of persons with disabilities will increase, therefore the demand for accessible housing will continue to grow.

Persons with disabilities who need accessible housing have additional barriers to obtaining and retaining adequate and reasonably priced housing, over and above their limited incomes. Many people have some form of disability that adds to the problem of finding adequate housing.

As of January 21, 2014 the Housing Authority of Maricopa County which manages Public Housing programs for the City of Surprise indicated that there are 1387 currently on the Public Housing waiting list and they are accepting applications for the Public Housing waiting list. They report receiving a minimum of 10 calls per day (a significant decrease from 50-60 calls per day two years ago) from the public requesting housing assistance.

The Housing Authority went on to report that they operate a public housing program that consists of 45 one bedroom units (for elderly & disabled households, 5 are handicapped accessible). There are no two-bedroom units for Public Housing, 20 three-bedroom homes in scattered sites & 5 four-bedroom homes for single families. None of the houses are currently handicapped accessible.

ABIL has been averaging 4-6 calls per month from Surprise residents requesting home modification assistance.

Each Surprise resident with a disability assisted to live in the community with Home & Community Based Services will save taxpayers at least $29,000 annually compared to costlier options (i.e. nursing home placement). During the 23 years of work with CDBG funded contracts & 5 years of ALTCS funded contracts ABIL has completed 4,444 home assessments and successfully completed 3,123 projects while maintaining a 98% retention rate in the community. This unique program would be the only one of its kind in the City of Surprise for its residents.
Project Location & Service Area - Describe the area to be served by the project. If possible, include a map. City-wide. ABIL staff requires that all consumers sign its Consumer Application/ Intake Form when being opened for home modification program services verifying residency. Residents will be both those who own their own homes and those who rent houses, apartments and mobile homes.
Targeted demographic population of the city: Surprise residents who either have a significant disability or who are seniors, who receive Surprise water bills and are of low-to-moderate incomes are eligible for this program. This program is city-wide within Surprise. Residents must: 1. Have a significant disability, 2. Be able to benefit from a modification, 3. Sign a form verifying their income, 4. Have a verifiable Surprise residence, 5. Be a homeowner or rent an apartment, house or mobile home, 6. If renting, have a signed release from the landlord stating that they agree to the proposed modification, 7. Have a one year lease.
Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding: The Surprise Program for Home Accessibility (SPHA) will allow persons with significant disability or who are seniors to more safely access their homes independently, thus increasing their quality of life in the community. 1. Increases home safety as it reduces falls, injuries, hospitalization or worse, institutionalization in nursing homes, saving taxpayers $29,000 per person/year. 2. Assists residents to maintain and enhance independent living, safety and community participation for 8 households. 3. Increases the number of housing stock by 8, easing the rapidly growing need for accessible units. 4. Increases employability of those who desire going back to work. 5. Increase people's participation and contributions to the livelihood of the community.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

Housing Rehabilitation is a High Priority in the City's Consolidated Plan and the Surprise Program for Home Accessibility (SPHA) aligns and complies with this High Priority. ABIL's home modification program funded through CDBG also meets the National Objective #1 – Primary Benefit to Low and Moderate Income Persons as we serve persons with disabilities and seniors who fit this income eligibility requirement.

One hundred percent of the program's consumers will be Surprise residents and will be required to sign a form verifying their income and provide tax returns, bank statements and/ or Social Security award letters, and provide any other documentation required by the City. Since nearly 70% of persons with disabilities are unemployed, HUD recognizes the group in its "limited clientele" category. Each and every one of our program consumers are persons of low-to-moderate incomes as proven through the above income documentation.

ABIL will remove architectural barriers & facilitate structural home modifications for 8 low-to-moderate income residents with significant disabilities & seniors to improve home accessibility & safety. Modifications include: ramps, grab bars, widening doorways, raised toilets etc.

1. In-home assessments & technical consultation will be provided to determine necessary modifications.

2. Licensed, bonded, insured & experienced contractors will provide the modifications & are identified through a competitive bid process that includes Minority & Women contractors.

3. Program limits will be $5,000 per homeowner & for renters in complexes with less than 8 units. The limit will be $2,000 for those who rent in complexes with 8 units or more. The average cost per modification is estimated at $3,000.

4. In keeping with ABIL's Independent Living philosophy, residents or their family members are expected to contribute 10% of the costs of the project, or provide matching labor, community volunteerism or advocacy training.

5. Scope of work will exclude modifications affecting painted surfaces that exceed no more than 2 sq. ft. per room in residences built prior to 1978.

6. The Program Coordinator will give every consumer a Consumer Satisfaction form for completion & will randomly inspect completed projects to ensure satisfaction.

7. Appropriate referrals to other ABIL programs and/or to outside community resources by the Program Coordinator further facilitate the resident's independence & safety in the home. Services include, but are not limited to: Information & Referral, Independent Living Skills Instruction, Personal Assistance Services & Peer Mentoring are some of the services that are described as needed. For residents who are not eligible for the SPHA program, other community resources are provided to address their home modification needs.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

ABIL has been serving individuals with disabilities, their families and the community in Maricopa & Pinal Counties for over 30 years and is one of the largest Centers for Independent Living in the nation. Our mission statement is: "ABIL offers and promotes programs designed to empower people with disabilities to take personal responsibility so they may achieve or continue independent lifestyles within the community." ABIL is a grassroots organization whose staff and Board are represented by a majority of those with a disability. All of our programs are consumer-directed, providing choices and options to consumers.

ABIL has a proven track record as we have been providing CDBG funded Home Accessibility programming in Phoenix for the past 23 years, in Glendale for 18 years, Mesa for 15 years, Peoria for 13 years and Scottsdale and Tempe for 2 years.

ABIL also has a five year track record of contracting with the 3 Maricopa County Arizona Long Term Care System (ALTCS) providers and successfully completing nearly 1,000 home modification projects over this time.

The program infrastructure is in place with experienced staff and licensed, bonded, insured & experienced contractors so we can quickly turn around project requests. The program Policies & Procedures have been refined over the years and were again updated in the Fall of 2013. The scope of activity is contingent upon the level of CDBG funding awarded by the City of Surprise for FY 14-15. There is no other program like this in the city.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	Yes	No	NA
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed) Program match will come from two sources: 1. ABIL will provide staffing for .02 FTE for Receptionist and .02 FTE for the President/CEO. 2. A 10% consumer match is requested toward each project's Labor & Materials. This can be in the form of a cash contribution or volunteerism by the consumer, a family member or friend.

Program Team:

Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

Staff Member	Background and Expertise of Personnel
Name: Jim Stewart Title: Home Modification Coordinator FTE on This Project: .08	15 years of direct service experience with a design certification
Name: Darrel Christenson Title: Vice President of Community Integration FTE on This Project: .03	15 ½ years with ABIL in Management, 12 years prior providing direct service at another Center for Independent Living
Name: TBD Title: Accountant FTE on This Project: .03	This position is currently being back-filled. The VP of Finance is covering the responsibilities of this position until it is filled.
Name: Lea Laffartha Title: Program Aide FTE on This Project: .03	This is a new position created July 2013 to assist with Unit's administrative work.
Name: Maribel Sanchez Title: Receptionist FTE on This Project: .02	12 years of experience with ABIL
Name: Phil Pangrazio Title: President/ CEO FTE on This Project: .02	14 years as ABIL's President/ CEO, ABIL Board member prior to this.

Name: Title: FTE on This Project:	
Name: Title: FTE on This Project:	

Project Cost

Estimated Total Cost of Project:	$ 40,506		
CDBG Funding Amount Requested for Project:	$ 34,558		
Total Number of Units Served:	8		
Total Cost per Unit	$5,063		
Total CDBG Cost per Unit	$4,320		
Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	**Source**	**Year**	**Amount**
	ABIL's Match	14-15	$3,548
	Consumer 10% Match	14-15	$2,400
Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	ABIL will not be able to provide the service in the City of Surprise if funds are not awarded.		
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes, ABIL would adjust its Scope of Work according to the level of funding awarded.		

Project Timeline

Project start date: 7/1/14 **Project completion date:** 6/30/15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	(each box represents one month)											
Contract Execution	X											
Outreach to Contractors & Update Procedures		X										
Contractors Selected			X									
Environmental Review	X	X	X	X	X	X	X	X	X	X	X	X
Applicant Referrals Accepted	X	X	X	X	X	X	X	X	X	X	X	X
Client Intakes	X	X	X	X	X	X	X	X	X	X	X	X
Home Modification Completion	X	X	X	X	X	X	X	X	X	X	X	X

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Program Coord. Salary & Fringe	$ 3,885			$ 3,885
Unit VP Salary & Fringe	$ 2,842			$ 2,842
Accountant Salary & Fringe	$ 1,945			$ 1,945
Program Aide Salary & Fringe	$ 981			$ 981
Telephone	$ 200			$ 200
Travel/ Mileage	$ 400			$ 400
Office Supplies, Postage & Printing	$ 305			$ 305

Labor & Materials	$24,000			$24,000
President/ CEO Salary & Fringe		ABIL Match	$ 2,656	$ 2,656
Receptionist Salary & Fringe		ABIL Match	$ 892	$ 892
10% Consumer Match		10% Consumer Match	$ 2,400	$ 2,400
Total	$34,558		$ 5,948	$40,506

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to the Welcome Center,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Arizona Bridge to Independent Living (ABIL)
Contact Person:	Darrel Christenson
Contact Person Title:	Vice President of Community Integration
Mailing Address:	5025 E. Washington St., Suite 200, Phoenix, AZ 85034-7437
Street Address *(if different from mailing)*:	SAME
Phone:	(602) 296-0530
Fax:	(602) 254-6407
E-mail:	darrelc@abil.org
Website URL *(if applicable)*:	www.abil.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- X Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	Yes	No	NA
Drug Free Policies	X		
Fair Housing Policies	X		
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	Surprise Program for Home Accessibility (SPHA)

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☐ Recreation programs
- ☐ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- X Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:________________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

For persons with disabilities, securing accessible and affordable housing is always universally considered the biggest impediment to living independently in the community. Currently, many people with disabilities have difficulty moving about in their homes due to architectural barriers and there are long waiting lists for ready-made accessible units. According to a study published in the American Journal of Public Health, Arizona has the highest prevalence of adults with disabilities at 25.9% and the Valley being the third highest metropolitan statistical area at 25.6%. As our population ages, the percentage of persons with disabilities will increase, therefore the demand for accessible housing will continue to grow.

Persons with disabilities who need accessible housing have additional barriers to obtaining and retaining adequate and reasonably priced housing, over and above their limited incomes. Many people have some form of disability that adds to the problem of finding adequate housing.

As of January 21, 2014 the Housing Authority of Maricopa County which manages Public Housing programs for the City of Surprise indicated that there are 1387 currently on the Public Housing waiting list and they are accepting applications for the Public Housing waiting list. They report receiving a minimum of 10 calls per day (a significant decrease from 50-60 calls per day two years ago) from the public requesting housing assistance.

The Housing Authority went on to report that they operate a public housing program that consists of 45 one bedroom units (for elderly & disabled households, 5 are handicapped accessible). There are no two-bedroom units for Public Housing, 20 three-bedroom homes in scattered sites & 5 four-bedroom homes for single families. None of the houses are currently handicapped accessible.

ABIL has been averaging 4-6 calls per month from Surprise residents requesting home modification assistance.

Each Surprise resident with a disability assisted to live in the community with Home & Community Based Services will save taxpayers at least $29,000 annually compared to costlier options (i.e. nursing home placement). During the 23 years of work with CDBG funded contracts & 5 years of ALTCS funded contracts ABIL has completed 4,444 home assessments and successfully completed 3,123 projects while maintaining a 98% retention rate in the community. This unique program would be the only one of its kind in the City of Surprise for its residents.

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

City-wide. ABIL staff requires that all consumers sign its Consumer Application/ Intake Form when being opened for home modification program services verifying residency. Residents will be both those who own their own homes and those who rent houses, apartments and mobile homes.

Targeted demographic population of the city:

Surprise residents who either have a significant disability or who are seniors, who receive Surprise water bills and are of low-to-moderate incomes are eligible for this program. This program is city-wide within Surprise.

Residents must: 1. Have a significant disability, 2. Be able to benefit from a modification, 3. Sign a form verifying their income, 4. Have a verifiable Surprise residence, 5. Be a homeowner or rent an apartment, house or mobile home, 6. If renting, have a signed release from the landlord stating that they agree to the proposed modification, 7. Have a one year lease.

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding:

The Surprise Program for Home Accessibility (SPHA) will allow persons with significant disability or who are seniors to more safely access their homes independently, thus increasing their quality of life in the community.

1. Increases home safety as it reduces falls, injuries, hospitalization or worse, institutionalization in nursing homes, saving taxpayers $29,000 per person/year.
2. Assists residents to maintain and enhance independent living, safety and community participation for 8 households.
3. Increases the number of housing stock by 8, easing the rapidly growing need for accessible units.
4. Increases employability of those who desire going back to work.
5. Increase people's participation and contributions to the livelihood of the community.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

Housing Rehabilitation is a High Priority in the City's Consolidated Plan and the Surprise Program for Home Accessibility (SPHA) aligns and complies with this High Priority. ABIL's home modification program funded through CDBG also meets the National Objective #1 – Primary Benefit to Low and Moderate Income Persons as we serve persons with disabilities and seniors who fit this income eligibility requirement.

One hundred percent of the program's consumers will be Surprise residents and will be required to sign a form verifying their income and provide tax returns, bank statements and/ or Social Security award letters, and provide any other documentation required by the City. Since nearly 70% of persons with disabilities are unemployed, HUD recognizes the group in its "limited clientele" category. Each and every one of our program consumers are persons of low-to-moderate incomes as proven through the above income documentation.

ABIL will remove architectural barriers & facilitate structural home modifications for 8 low-to-moderate income residents with significant disabilities & seniors to improve home accessibility & safety. Modifications include: ramps, grab bars, widening doorways, raised toilets etc.

1. In-home assessments & technical consultation will be provided to determine necessary modifications.

2. Licensed, bonded, insured & experienced contractors will provide the modifications & are identified through a competitive bid process that includes Minority & Women contractors.

3. Program limits will be $5,000 per homeowner & for renters in complexes with less than 8 units. The limit will be $2,000 for those who rent in complexes with 8 units or more. The average cost per modification is estimated at $3,000.

4. In keeping with ABIL's Independent Living philosophy, residents or their family members are expected to contribute 10% of the costs of the project, or provide matching labor, community volunteerism or advocacy training.

5. Scope of work will exclude modifications affecting painted surfaces that exceed no more than 2 sq. ft. per room in residences built prior to 1978.

6. The Program Coordinator will give every consumer a Consumer Satisfaction form for completion & will randomly inspect completed projects to ensure satisfaction.

7. Appropriate referrals to other ABIL programs and/or to outside community resources by the Program Coordinator further facilitate the resident's independence & safety in the home. Services include, but are not limited to: Information & Referral, Independent Living Skills Instruction, Personal Assistance Services & Peer Mentoring are some of the services that are described as needed. For residents who are not eligible for the SPHA program, other community resources are provided to address their home modification needs.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

ABIL has been serving individuals with disabilities, their families and the community in Maricopa & Pinal Counties for over 30 years and is one of the largest Centers for Independent Living in the nation. Our mission statement is: "ABIL offers and promotes programs designed to empower people with disabilities to take personal responsibility so they may achieve or continue independent lifestyles within the community." ABIL is a grassroots organization whose staff and Board are represented by a majority of those with a disability. All of our programs are consumer-directed, providing choices and options to consumers.

ABIL has a proven track record as we have been providing CDBG funded Home Accessibility programming in Phoenix for the past 23 years, in Glendale for 18 years, Mesa for 15 years, Peoria for 13 years and Scottsdale and Tempe for 2 years.

ABIL also has a five year track record of contracting with the 3 Maricopa County Arizona Long Term Care System (ALTCS) providers and successfully completing nearly 1,000 home modification projects over this time.

The program infrastructure is in place with experienced staff and licensed, bonded, insured & experienced contractors so we can quickly turn around project requests. The program Policies & Procedures have been refined over the years and were again updated in the Fall of 2013. The scope of activity is contingent upon the level of CDBG funding awarded by the City of Surprise for FY 14-15. There is no other program like this in the city.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	Yes	No	NA
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)
Program match will come from two sources: 1. ABIL will provide staffing for .02 FTE for Receptionist and .02 FTE for the President/CEO. 2. A 10% consumer match is requested toward each project's Labor & Materials. This can be in the form of a cash contribution or volunteerism by the consumer, a family member or friend.

Program Team:
Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

Staff Member	**Background and Expertise of Personnel**
Name: Jim Stewart Title: Home Modification Coordinator FTE on This Project: .08	15 years of direct service experience with a design certification
Name: Darrel Christenson Title: Vice President of Community Integration FTE on This Project: .03	15 ½ years with ABIL in Management, 12 years prior providing direct service at another Center for Independent Living
Name: TBD Title: Accountant FTE on This Project: .03	This position is currently being back-filled. The VP of Finance is covering the responsibilities of this position until it is filled.
Name: Lea Laffartha Title: Program Aide FTE on This Project: .03	This is a new position created July 2013 to assist with Unit's administrative work.
Name: Maribel Sanchez Title: Receptionist FTE on This Project: .02	12 years of experience with ABIL
Name: Phil Pangrazio Title: President/ CEO FTE on This Project: .02	14 years as ABIL's President/ CEO, ABIL Board member prior to this.

Name: Title: FTE on This Project:	
Name: Title: FTE on This Project:	

Project Cost

Estimated Total Cost of Project:	$ 40,506
CDBG Funding Amount Requested for Project:	$ 34,558
Total Number of Units Served:	8
Total Cost per Unit	$5,063
Total CDBG Cost per Unit	$4,320

Amount and Source of Other Funds Leveraged for Project:
(Please submit proof of other funding sources)

Source	Year	Amount
ABIL's Match	14-15	$3,548
Consumer 10% Match	14-15	$2,400

Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	ABIL will not be able to provide the service in the City of Surprise if funds are not awarded.
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes, ABIL would adjust its Scope of Work according to the level of funding awarded.

Project Timeline

Project start date: 7/1/14 **Project completion date:** 6/30/15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	**1st Quarter**			**2nd Quarter**			**3rd Quarter**			**4th Quarter**		
	(each box represents one month)											
Contract Execution	X											
Outreach to Contractors & Update Procedures		X										
Contractors Selected			X									
Environmental Review	X	X	X	X	X	X	X	X	X	X	X	X
Applicant Referrals Accepted	X	X	X	X	X	X	X	X	X	X	X	X
Client Intakes	X	X	X	X	X	X	X	X	X	X	X	X
Home Modification Completion	X	X	X	X	X	X	X	X	X	X	X	X

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Program Coord. Salary & Fringe	$ 3,885			$ 3,885
Unit VP Salary & Fringe	$ 2,842			$ 2,842
Accountant Salary & Fringe	$ 1,945			$ 1,945
Program Aide Salary & Fringe	$ 981			$ 981
Telephone	$ 200			$ 200
Travel/ Mileage	$ 400			$ 400
Office Supplies, Postage & Printing	$ 305			$ 305

Labor & Materials	$24,000			$24,000
President/ CEO Salary & Fringe		ABIL Match	$ 2,656	$ 2,656
Receptionist Salary & Fringe		ABIL Match	$ 892	$ 892
10% Consumer Match		10% Consumer Match	$ 2,400	$ 2,400
Total	$34,558		$ 5,948	$40,506

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to the Welcome Center,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Arizona Bridge to Independent Living (ABIL)
Contact Person:	Darrel Christenson
Contact Person Title:	Vice President of Community Integration
Mailing Address:	5025 E. Washington St., Suite 200, Phoenix, AZ 85034-7437
Street Address *(if different from mailing):*	SAME
Phone:	(602) 296-0530
Fax:	(602) 254-6407
E-mail:	darrelc@abil.org
Website URL *(if applicable)*:	www.abil.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- X Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies	X		
Fair Housing Policies	X		
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	Surprise Program for Home Accessibility (SPHA)

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☐ Recreation programs
- ☐ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- X Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:________________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

For persons with disabilities, securing accessible and affordable housing is always universally considered the biggest impediment to living independently in the community. Currently, many people with disabilities have difficulty moving about in their homes due to architectural barriers and there are long waiting lists for ready-made accessible units. According to a study published in the American Journal of Public Health, Arizona has the highest prevalence of adults with disabilities at 25.9% and the Valley being the third highest metropolitan statistical area at 25.6%. As our population ages, the percentage of persons with disabilities will increase, therefore the demand for accessible housing will continue to grow.

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Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

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Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	Yes	No	NA
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)
Program match will come from two sources: 1. ABIL will provide staffing for .02 FTE for Receptionist and .02 FTE for the President/CEO. 2. A 10% consumer match is requested toward each project's Labor & Materials. This can be in the form of a cash contribution or volunteerism by the consumer, a family member or friend.

Program Team:
Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

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Name: Title: FTE on This Project:	
Name: Title: FTE on This Project:	

Project Cost

Estimated Total Cost of Project:	$ 40,506		
CDBG Funding Amount Requested for Project:	$ 34,558		
Total Number of Units Served:	8		
Total Cost per Unit	$5,063		
Total CDBG Cost per Unit	$4,320		
Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	**Source**	**Year**	**Amount**
	ABIL's Match	14-15	$3,548
	Consumer 10% Match	14-15	$2,400
Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	ABIL will not be able to provide the service in the City of Surprise if funds are not awarded.		
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes, ABIL would adjust its Scope of Work according to the level of funding awarded.		

Project Timeline

Project start date: 7/1/14 **Project completion date:** 6/30/15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	(each box represents one month)											
Contract Execution	X											
Outreach to Contractors & Update Procedures		X										
Contractors Selected			X									
Environmental Review	X	X	X	X	X	X	X	X	X	X	X	X
Applicant Referrals Accepted	X	X	X	X	X	X	X	X	X	X	X	X
Client Intakes	X	X	X	X	X	X	X	X	X	X	X	X
Home Modification Completion	X	X	X	X	X	X	X	X	X	X	X	X

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Program Coord. Salary & Fringe	$ 3,885			$ 3,885
Unit VP Salary & Fringe	$ 2,842			$ 2,842
Accountant Salary & Fringe	$ 1,945			$ 1,945
Program Aide Salary & Fringe	$ 981			$ 981
Telephone	$ 200			$ 200
Travel/ Mileage	$ 400			$ 400
Office Supplies, Postage & Printing	$ 305			$ 305

Labor & Materials	$24,000			$24,000
President/ CEO Salary & Fringe		ABIL Match	$ 2,656	$ 2,656
Receptionist Salary & Fringe		ABIL Match	$ 892	$ 892
10% Consumer Match		10% Consumer Match	$ 2,400	$ 2,400
Total	$34,558		$ 5,948	$40,506

ABIL's SPHA Proposed '14-'15 Budget				
Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Program Coord. Salary & Fringe	$ 3,885			$ 3,885
Unit VP Salary & Fringe	$ 2,842			$ 2,842
Accountant Salary & Fringe	$ 1,945			$ 1,945
Program Aide Salary & Fringe	$ 981			$ 981
Telephone	$ 200			$ 200
Travel/ Mileage	$ 400			$ 400
Office Supplies, Postage & Printing	$ 305			$ 305
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President/ CEO Salary & Fringe		ABIL Match	$ 2,656	$ 2,656
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10% Consumer Match		10% Consumer Match	$ 2,400	$ 2,400
Total	$34,558		$ 5,948	$40,506

IRS Department of the Treasury
Internal Revenue Service

P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248351232
Sep. 20, 2012 LTR 4168C E0
86-0486447 000000 00
00016636
BODC: TE

ARIZONA BRIDGE TO INDEPENDENT
LIVING
5025 E WASHINGTON SREET SUITE 200
PHOENIX AZ 85034

029651

Employer Identification Number: 86-0486447
Person to Contact: Mr. Kelley
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Sep. 11, 2012, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in November 1984.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

Other Funding Source References

Program match will come from two sources:

1. ABIL will provide staffing for .02 FTE for Receptionist and .02 FTE for the President/CEO.
2. A 10% consumer match is requested toward each project's Labor & Materials. This can be in the form of a cash contribution or volunteerism by the consumer, a family member or friend.

ARIZONA BRIDGE TO INDEPENDENT
LIVING, INC. AND SUBSIDIARY
PHOENIX, ARIZONA

CONSOLIDATED FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORTS
JUNE 30, 2013 AND 2012

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
TABLE OF CONTENTS
JUNE 30, 2013

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Directors
Arizona Bridge to Independent Living, Inc.
Phoenix, Arizona

We have audited the accompanying consolidated financial statements of Arizona Bridge to Independent Living, Inc., which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Arizona Bridge to Independent Living, Inc. as of June 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 23, 2013, on our consideration of ABIL'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 the 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 ABIL's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 23, 2013

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

ASSETS

	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	$ 5,810,185	$ 5,026,816
Certificates of deposit	4,821,032	3,371,218
Designated cash	38,909	59,495
Accounts receivable, net	6,425,942	5,510,431
Current portion of pledges receivable	200,000	200,000
Prepaid expenses and other assets	76,404	83,171
Total current assets	17,372,472	14,251,131
CERTIFICATES OF DEPOSIT	2,073,164	3,854,067
PLEDGES RECEIVABLE, NET	177,587	366,380
INVESTMENTS	4,045,554	3,530,906
PROPERTY AND EQUIPMENT, NET	35,811,034	37,046,444
DEBT ISSUANCE COSTS	51,264	74,043
TOTAL ASSETS	$ 59,531,075	$ 59,122,971

LIABILITIES AND NET ASSETS

	2013	2012
CURRENT LIABILITIES		
Current maturity of notes payable	$ 2,008,221	$ -
Accounts payable	381,588	458,073
Accrued payroll and related expenses	837,631	732,886
Compensated absences payable	253,533	242,605
Deferred revenue	78,060	-
Other liabilities	100,061	98,162
Total current liabilities	3,659,094	1,531,726
LONG-TERM LIABILITIES		
Interest rate swap liability	1,852,916	2,739,274
Notes payable	14,491,779	16,500,000
Total long-term liabilities	16,344,695	19,239,274
Total liabilities	20,003,789	20,771,000
NET ASSETS		
Unrestricted	39,096,624	37,694,870
Temporarily restricted	430,662	657,101
Total net assets	39,527,286	38,351,971
TOTAL LIABILITIES AND NET ASSETS	$ 59,531,075	$ 59,122,971

See accompanying Notes to Consolidated Financial Statements.

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	2013		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contracts	$ 35,378,563	$ -	$ 35,378,563
Contributions and donations	177,009	-	177,009
Program income	223,816	-	223,816
Interest and dividends	136,314	-	136,314
Unrealized gains on investments	433,306	-	433,306
Rental income	416,001	-	416,001
Other	152,474	-	152,474
Total support and revenue before net assets released from restrictions	36,917,483	-	36,917,483
Net assets released from restrictions	226,439	(226,439)	-
Total support and revenue	37,143,922	(226,439)	36,917,483
EXPENSES AND LOSSES			
Program services:			
Personal assistant services	29,253,855	-	29,253,855
Community integration	4,004,434	-	4,004,434
Support services:			
Administration	3,401,001	-	3,401,001
Total expenses	36,659,290	-	36,659,290
Provision for doubtful accounts	(30,764)	-	(30,764)
Change in value of interest rate swap	(886,358)	-	(886,358)
Total expenses and losses	35,742,168	-	35,742,168
CHANGES IN NET ASSETS	1,401,754	(226,439)	1,175,315
NET ASSETS, BEGINNING OF YEAR	37,694,870	657,101	38,351,971
NET ASSETS, END OF YEAR	$ 39,096,624	$ 430,662	$ 39,527,286

See accompanying Notes to Consolidated Financial Statements.

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012

	2012		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contracts	$ 34,425,388	$ -	$ 34,425,388
Contributions and donations	302,301	693	302,994
Program income	70,437	-	70,437
Interest and dividends	130,945	-	130,945
Unrealized gains on investments	89,250	-	89,250
Rental income	412,253	-	412,253
Other	165,821	-	165,821
Total support and revenue before net assets released from restrictions	35,596,395	693	35,597,088
Net assets released from restrictions	2,712,666	(2,712,666)	-
Total support and revenue	38,309,061	(2,711,973)	35,597,088
EXPENSES AND LOSSES			
Program services:			
Personal assistant services	27,927,664	-	27,927,664
Community integration	3,691,425	-	3,691,425
Support services:			
Administration	3,248,637	-	3,248,637
Total expenses	34,867,726	-	34,867,726
Provision for doubtful accounts	89,635	-	89,635
Change in value of interest rate swap	793,597	-	793,597
Total expenses and losses	35,750,958	-	35,750,958
CHANGES IN NET ASSETS	2,558,103	(2,711,973)	(153,870)
NET ASSETS, BEGINNING OF YEAR	35,136,767	3,369,074	38,505,841
NET ASSETS, END OF YEAR	$ 37,694,870	$ 657,101	$ 38,351,971

See accompanying Notes to Consolidated Financial Statements.

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services			Support Services	
	Personal Assistant Services	Community Integration	Total Program Services	Administration	Total Expenses
Salaries and related payroll expense	$ 28,313,648	$ 2,220,187	$ 30,533,835	$ 741,688	$ 31,275,523
Home modification costs	-	905,519	905,519	-	905,519
Office expenses and postage	76,566	41,487	118,053	27,060	145,113
Training and tuition	2,846	10,790	13,636	31,590	45,226
Public relations/information	-	4,853	4,853	104,799	109,652
Professional services	28,371	76,550	104,921	2,876	107,797
Occupancy and communications	340,342	223,433	563,775	109,139	672,914
Insurance	99,885	3,492	103,377	23,198	126,575
Equipment rental and repairs	119,064	89,805	208,869	83,264	292,133
Travel and mileage	95,580	44,825	140,405	13,238	153,643
Printing and publications	29,652	38,099	67,751	5,935	73,686
Interest and bank charges	-	-	-	1,018,138	1,018,138
Other expenses	(56,501)	140,992	84,491	136,487	220,978
Building expenses	-	-	-	273,591	273,591
Depreciation and amortization	204,402	204,402	408,804	829,998	1,238,802
TOTAL FUNCTIONAL EXPENSES	$ 29,253,855	$ 4,004,434	$ 33,258,289	$ 3,401,001	$ 36,659,290

See accompanying Notes to Consolidated Financial Statements.

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services			Support Services	
	Personal Assistant Services	Community Integration	Total Program Services	Administration	Total Expenses
Salaries and related payroll expense	$ 26,784,725	$ 2,104,221	$ 28,888,946	$ 689,091	$ 29,578,037
Home modification costs	-	678,692	678,692	-	678,692
Office expenses and postage	73,354	38,644	111,998	22,475	134,473
Training and tuition	1,425	6,184	7,609	25,226	32,835
Public relations/information	-	51,177	51,177	60,091	111,268
Professional services	20,972	195,120	216,092	5,560	221,652
Occupancy and communications	326,207	173,564	499,771	112,350	612,121
Insurance	73,567	2,366	75,933	27,884	103,817
Equipment rental and repairs	129,854	79,592	209,446	91,693	301,139
Travel and mileage	79,222	39,244	118,466	34,593	153,059
Printing and publications	28,721	41,920	70,641	4,997	75,638
Interest and bank charges	-	-	-	1,105,594	1,105,594
Other expenses	224,802	95,886	320,688	20,781	341,469
Building expenses	-	-	-	297,842	297,842
Depreciation and amortization	184,815	184,815	369,630	750,460	1,120,090
TOTAL FUNCTIONAL EXPENSES	$ 27,927,664	$ 3,691,425	$ 31,619,089	$ 3,248,637	$ 34,867,726

See accompanying Notes to Consolidated Financial Statements.

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC.
AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 1,175,315	$ (153,870)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,238,802	1,120,090
Change in provision for doubtful accounts	(69,943)	63,488
Discount on pledges receivable	(11,207)	(11,207)
Amortization of debt issuance costs	22,779	22,784
Net unrealized gain on investments	(433,306)	(91,215)
Change in value of interest rate swap liability	(886,358)	793,597
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	(845,568)	(1,447,066)
Pledges receivable	200,000	498,999
Prepaid expenses and other assets	6,767	11,480
Accounts payable	(76,485)	(824,186)
Accrued payroll and related expenses	104,745	(104,842)
Compensated absences payable	10,928	24,975
Deferred revenue	78,060	-
Other liabilities	1,899	60,605
Net cash provided by (used in) operating activities	516,428	(36,368)
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturities (purchases) of certificates of deposit, net	331,089	(532,687)
Decrease in designated cash for a sports complex	20,586	1,102,717
Purchases of investments	(81,342)	(555,067)
Purchases of property and equipment	(3,392)	(575,874)
Net cash provided by (used in) investing activities	266,941	(560,911)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	783,369	(597,279)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	5,026,816	5,624,095
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 5,810,185	$ 5,026,816
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest, net of amounts capitalized	$ 946,456	$ 949,706
Non-cash transactions:		
Transfer of assets from pre-paid sport complex to property and equipment	$ -	$ 1,729,863

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Arizona Bridge to Independent Living, Inc. was organized as a non-profit corporation in May 1984 under the laws of the state of Arizona. Arizona Bridge to Independent Living, Inc. offers a full range of empowering programs for individuals with disabilities and family members with disability concerns. Arizona Bridge to Independent Living, Inc.'s programs include independent living skills instruction, peer support, information and referral, advocacy, home modifications, social and recreational programs, early intervention and outreach to rehabilitation hospitals, community reintegration from nursing homes, youth transition, personal assistance services, social security work incentives and benefits counseling, and employment services for SSDI and SSI beneficiaries.

ABIL Development, LLC was incorporated in the State of Arizona on February 1, 2007, as a limited liability company. Arizona Bridge to Independent Living, Inc. is the sole member of ABIL Development, LLC and Arizona Bridge to Independent Living, Inc. has an economic interest in and exercises control over ABIL Development, LLC. The purpose of ABIL Development, LLC is to carry out the programs that complement the activities of Arizona Bridge to Independent Living, Inc.

Consolidated Financial Statements

The consolidated financial statements include both the accounts of Arizona Bridge to Independent Living, Inc. and ABIL Development, LLC (collectively referred to as ABIL). All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

The consolidated financial statements of Arizona Bridge to Independent Living, Inc. and Subsidiary have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

Basis of Presentation

ABIL prepares its consolidated financial statements in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, ABIL is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board of Directors for use in ABIL's operations, in accordance with its bylaws. Temporarily restricted contributions received and expended in the same year are classified as unrestricted.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets
Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by ABIL and/or the passage of time.

Permanently Restricted Net Assets
Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements. At June 30, 2013 and 2012, ABIL had no permanently restricted net assets.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 of short-term, highly liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less, when purchased, meet this definition.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies and are unsecured. Accounts receivable are stated at the amount management expects to collect. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management provides for probable, uncollectible amounts through a charge to operations and an increase to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to accounts receivable.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. The pledges receivable at June 30, 2013 and 2012, are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Investment income (including interest and dividends) and realized and unrealized gains and losses are reported in the consolidated statements of activities and changes in net assets under support and revenue.

Property and Equipment

Purchased property and equipment are initially recorded at cost, and donated property and equipment are recorded at fair value at the date of gift to ABIL. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $2,500 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 50 years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease terms.

Impairment of Long-Lived Assets

ABIL reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Debt Issuance Costs

During 2008, ABIL incurred $159,489 of costs in connection with the long-term debt disclosed in Note 10. These costs were deferred and are being amortized over the term of the loan using the straight-line method (which approximates the interest method). Accumulated amortization of these debt issuance costs were $108,225 and $85,446 at June 30, 2013 and 2012, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

ABIL accounts for contributions and grants in accordance with the Audit Guide and they are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, ABIL reports the support as unrestricted.

Grants and Contracts

Grants and contracts consist of governmental reimbursements at contracted rates. These revenues are recognized when the related services are performed.

Derivative Financial Instruments

ABIL is a party to an interest rate swap agreement to hedge the cash flow effects of fluctuations in interest rate related to its long-term debt instrument. The net amount receivable or payable associated with the interest rate swap agreement is recorded and reflected on the consolidated statements of financial position.

Fair Value of Financial Instruments

At June 30, 2013 and 2012, ABIL has the following financial instruments: cash, accounts receivable, accounts payable, notes payable, and interest rate swap liability. The carrying values of current assets and current liabilities approximate their fair values based on the liquidity of these financial instruments or based on their short-term nature. The carrying values of the other financial instruments approximate their fair values based on the market interest rates available to ABIL for debt of similar risk and maturities.

Income Taxes

Arizona Bridge to Independent Living, Inc. qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, there is no provision for federal or state corporate income taxes. In addition, Arizona Bridge to Independent Living, Inc. has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

ABIL Development, LLC is a limited liability company incorporated in the state of Arizona which is a pass-through entity. All income or loss of this entity is reported at the Arizona Bridge to Independent Living, Inc. level.

The federal and state corporate income tax returns of both entities for 2010, 2011 and 2012 are subject to examination by the Internal Revenue Service and state taxing authorities, generally for three years after they were filed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allocation of Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of functional expense. Accordingly, certain costs have been allocated among the programs and support services benefited. The allocation methods used are subject to a degree of estimation by management. ABIL directly allocates certain expenses to the various functions to which they apply.

NOTE 2 CASH AND CASH EQUIVALENTS

Cash and cash equivalents at June 30 consist of the following:

	2013	2012
Cash on hand	$ 647	$ 712
Checking account balances	2,883,313	2,479,354
Money market funds	2,926,225	2,546,750
Total cash and cash equivalents	$ 5,810,185	$ 5,026,816

NOTE 3 INVESTMENTS IN CERTIFICATES OF DEPOSIT

At June 30, 2013, ABIL had $6,894,196 in certificates of deposit which includes accrued interest. These certificates of deposit mature in fiscal years 2014 and 2015, earning interest from 0.25 % to 1.30%.

At June 30, 2012, ABIL had $7,225,285 in certificates of deposit which includes accrued interest. These certificates of deposit mature in fiscal years 2013, 2014 and 2015, earning interest from 0.30 % to 1.30%.

NOTE 4 ACCOUNTS RECEIVABLE

ABIL receives a substantial amount of revenue from grants and contracts. ABIL's accounts receivable at June 30 consist of the following:

	2013	2012
Mercy Care	$ 4,613,752	$ 3,700,521
Bridgeway	1,034,281	961,872
Evercare Select/United Health Care	369,767	473,055
Other	571,457	608,241
Total	6,589,257	5,743,689
Less allowance for doubtful accounts	(163,315)	(233,258)
Accounts receivable, net	$ 6,425,942	$ 5,510,431

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable at June 30 consist of the following:

	2013	2012
Pledges receivable before unamortized discount	$ 400,000	$ 600,000
Less unamortized discount	(22,413)	(33,620)
Pledges receivable, net	$ 377,587	$ 566,380
Amounts due in:		
Less than one year	$ 200,000	$ 200,000
One to five years	200,000	400,000
Total	$ 400,000	$ 600,000

The discount rate used to determine the present value of the pledges receivable balance is a management determined discount rate which was approximately 2.0% as of June 30, 2013 and 2012. Management believes all pledges are fully collectible and therefore, an allowance for doubtful pledges receivable is not deemed necessary as of June 30, 2013 and 2012, respectively.

Approximately 100% of the gross pledges receivable are due from one foundation donor at June 30, 2013 and 2012.

NOTE 6 INVESTMENTS

Investments at June 30 consist of the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Equity securities	$ 2,027,407	$ 2,747,752	$ 1,964,134	$ 2,316,871
Bonds	683,991	717,305	672,319	714,035
Arizona Community Foundation	506,377	580,497	500,000	500,000
Total investments	$ 3,217,775	$ 4,045,554	$ 3,136,453	$ 3,530,906

The unrealized gains on investments were $433,306 and $89,250, for the years ended June 30, 2013 and 2012, respectively.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, ABIL uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that ABIL has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

A description of the valuation methodologies used for financial instruments follows:

Investments

Equity securities, corporate bonds, government issued securities, money market funds, and other funds listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

Debt securities consisting of government agency debt obligations are generally valued at the most recent price of the equivalent quoted yield for such securities, or those of comparable maturity, quality and type. There are no directly held debt securities in the investment portfolio. Debt securities are generally classified within Level 2 of the valuation hierarchy.

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Hedge funds, private equity, venture capital, and other investments for which there is not an active market are valued at the quoted market price for underlying marketable securities or an estimate of underlying asset fair values as determined in good faith by the general partner. These alternative investments are classified within Level 3 of the valuation hierarchy.

ABIL also invests in the Arizona Community Foundation, Inc. (ACF) pool. The fair value of these investments is based on its investment percentage in the investment pool. The ACF pool is invested in cash, equity securities, bonds and other investments. This investment is classified within Level 3 of the valuation hierarchy.

Interest Rate Swap Agreement

The fair value of interest rate swaps is estimated by a third party using a model that builds a yield curve from market data for actively traded securities at various times and maturities and takes into account current interest rates and the current credit worthiness of the respective counterparties. Such securities are classified within Level 2 of the valuation hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although ABIL believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2013:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 2,170,557	$ -	$ -	$ 2,170,557
Real estate	577,195	-	-	577,195
Bond	717,305	-	-	717,305
Pooled investments:				
Arizona Community Foundation	-	-	580,497	580,497
Total investments	$ 3,465,057	$ -	$ 580,497	$ 4,045,554
Interest rate swap liability (Note 11)	$ -	$ (1,852,916)	$ -	$ (1,852,916)

NOTE 7 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table presents assets and liabilities measured at fair value by classification within the fair value hierarchy as of June 30, 2012:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Large blend	$ 1,787,135	$ -	$ -	$ 1,787,135
Real estate	529,736	-	-	529,736
Bond	714,035	-	-	714,035
Pooled investments:				
Arizona Community Foundation	-	-	500,000	500,000
Total investments	$ 3,030,906	$ -	$ 500,000	$ 3,530,906
Interest rate swap liability (Note 11)	$ -	$ (2,739,274)	$ -	$ (2,739,274)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended June 30, 2013 and 2012.

	2013	2012
Balance, beginning of year	$ 500,000	$ -
Purchases	-	500,000
Realized and unrealized gains	80,497	-
Balance, end of year	$ 580,497	$ 500,000

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of the following:

	2013	2012
Land	$ 332,571	$ 332,571
Buildings	35,167,363	35,167,363
Swimming pool	941,773	941,773
Furniture, equipment and vehicles	2,232,622	2,229,230
Leasehold improvements	3,226,822	3,226,822
Total	41,901,151	41,897,759
Less accumulated depreciation and amortization	(6,090,117)	(4,851,315)
Property and equipment, net of accumulated depreciation and amortization	$ 35,811,034	$ 37,046,444

NOTE 8 PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation and amortization expense charged to operations was $1,238,802 and $1,120,090 for the years ended June 30, 2013 and 2012, respectively. ABIL paid and capitalized $64,175 and $96,489 of interest expense in fiscal 2013 and 2012, respectively.

NOTE 9 RENTALS UNDER OPERATING LEASES

ABIL leases office space to unrelated parties. Certain of these leases contain options to renew. Rental revenue recognized by ABIL was $416,001 and $412,253 for the years ended June 30, 2013 and 2012, respectively.

The future minimum rental income under these operating leases are as follows:

2014	$ 209,813
2015	40,619
2016	6,015
Total	$ 256,447

Management believes that leases that expire will be renewed; thus, it is anticipated that future rental revenue will approximate the amount recognized in fiscal 2013.

NOTE 10 NOTES PAYABLE

Notes payable at June 30 consist of the following:

	2013	2012
Note payable to US Bank, NA; amount not to exceed $12,375,000, including interest at 1.15% in excess of one-month LIBOR (1.39% and 1.34% at June 30, 2013 and 2012, respectively) through March 28, 2014, 1.00% in excess of one-month LIBOR through March 28, 2017; payable on March 28, 2014, a payment in an amount equal to the greater of $1,548,600 or the amount necessary to reduce the outstanding principal balance such that the outstanding principal balance after the payment of such amount is equal to 65% of the then current appraised value of the Project; from and after April 1, 2014, monthly payments consisting of a principal payment of $69,407 with the entire outstanding principal balance due and payable at the maturity date; secured by deed of trust.	$ 12,375,000	$ 12,375,000

NOTE 10 NOTES PAYABLE (CONTINUED)

	2013	2012
Note payable to US Bank, NA; amount not to exceed $4,125,000, including interest at 3.70%, through March 28, 2017; $251,400 payable on March 28, 2014 in a single principal payment (put option) with the remaining balance due forgivable; secured by deed of trust.	4,125,000	4,125,000
Total	16,500,000	16,500,000
Less current maturities	2,008,221	-
Long-term maturities of notes payable	$ 14,491,779	$ 16,500,000

Future maturities of notes payable, assuming put option is exercised, are as follows:

	Before Put Option	Exercise of Put Option	Total
2014	$ 5,881,821	$ (3,873,600)	$ 2,008,221
2015	832,884	-	832,884
2016	832,884	-	832,884
2017	8,952,411	-	8,952,411
Total	$ 16,500,000	$ (3,873,600)	$ 12,626,400

The debt agreements include a put option commencing on November 28, 2013, for three months, where ABIL has the option to buy the $4,125,000 loan for a purchase price of $251,400 resulting in a forgivable loan. The purchase price is due within thirty days of exercise on or before March 28, 2014.

Under the terms of the debt agreements, ABIL is required to satisfy certain restrictive debt covenants. Management believes ABIL was in compliance with all covenants as of June 30, 2013.

NOTE 11 INTEREST RATE SWAP AGREEMENT

In March 2007, ABIL Development, LLC entered into an interest rate swap agreement, a fair value hedge, with a financial institution. ABIL Development, LLC pays a fixed rate of interest of 5.16% on a notional amount of $12,375,000 for a period of eighteen years. The financial institution pays ABIL Development, LLC interest based on LIBOR. The purpose of this derivative financial instrument is to hedge the risk of higher interest rates in the future. The fair value of the interest rate swap agreement was a liability of $1,852,916 and $2,739,274 as of June 30, 2013 and 2012, respectively.

NOTE 12 CHARITABLE GIFT ANNUITIES

ABIL administers a charitable gift annuity. The assets contributed under the charitable gift annuity are carried at fair value and are included with investments. Contribution support, if any, is recognized at the date the annuity is established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits, if necessary. The present value of the estimated annuity payments associated with the gift annuity are as follows:

	2013	2012
Current portion of charitable gift annuity	$ 30,482	$ 48,500
Long-term portion of charitable gift annuity	-	-
Total	$ 30,482	$ 48,500

NOTE 13 OPERATING LEASES

ABIL leases office space and office equipment under the provisions of noncancelable operating leases. Rental expense under the terms of the operating leases was $150,141 and $127,865 for the years ended June 30, 2013 and 2012, respectively. Certain operating leases provide for renewal options.

The future minimum rental payments under these operating leases are as follows:

2014	$ 69,382
2015	6,249
Total	$ 75,631

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2013	2012
Mast House	$ 14,167	$ 31,167
Cash and pledges for construction of sports complex	377,634	567,073
Cash and pledges for part-time recreational therapist at sports complex	20,000	40,000
Cash for Mast House replacements	18,861	18,861
Total temporarily restricted net assets	$ 430,662	$ 657,101

NOTE 14 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

A summary of net assets released from restrictions is as follows:

	2013	2012
Sports complex recreational therapist	$ 20,000	$ 20,000
Sports equipment	189,439	207,332
Sports complex construction costs	-	2,468,334
Mast House time restrictions met	17,000	17,000
Total	$ 226,439	$ 2,712,666

NOTE 15 DONATED GOODS AND SERVICES

ABIL receives donated services from a variety of unpaid volunteers assisting in various programs. No amounts have been recognized in the accompanying consolidated statements of activities and changes in net assets because the accounting criteria for recognition of such volunteer efforts have not been satisfied.

NOTE 16 RETIREMENT PLAN

ABIL maintains a 403(b) Thrift Plan which is available to all full-time employees. Under the plan, employees can elect to have their salary reduced on a pre-tax basis, based on a percentage of compensation. ABIL has a matching contribution requirement up to 4% for the years ended June 30, 2013 and 2012. ABIL's retirement plan expense was $78,422 and $64,953 for the years ended June 30, 2013 and 2012, respectively.

NOTE 17 CONCENTRATION RISK

ABIL received approximately 78% and 71% of their revenue from two government contracts during the years ended June 30, 2013 and 2012, respectively. Approximately 88% and 85% of the accounts receivable balance is due from two government contracts as of June 30, 2013 and 2012, respectively.

ABIL maintains all of its cash with banks located in Arizona. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. As of June 30, 2013 and 2012, a portion of cash balances at financial institutions exceeded the balance insured by the FDIC.

NOTE 18 COMMITMENTS AND CONTINGENCIES

ABIL participates in a number of federal and state assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, ABIL's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service which may be disallowed by the granting or contracting agencies cannot be determined at this time, although ABIL's management expects such amounts, if any, to be immaterial.

ABIL is contingently liable in respect to claims incidental to the ordinary course of its operations. In the opinion of management, such matters will not have a material adverse effect on ABIL's financial position, operations, or liquidity. Therefore, no provision has been made in the accompanying consolidated financial statements for losses, if any, that might result from the ultimate outcome of these matters.

NOTE 19 SUBSEQUENT EVENT

In July 2013, ABIL purchased an office building for approximately $350,000.

Management evaluated subsequent events through October 23, 2013, the date the consolidated financial statements were available to be issued. Events or transactions occurring after June 30, 2013, but prior to October 23, 2013, that provided additional evidence about conditions that existed at June 30, 2013, have been recognized in the consolidated financial statements for the year ended June 30, 2013. Events or transactions that provided evidence about conditions that did not exist at June 30, 2013, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended June 30, 2013.

SINGLE AUDIT REPORTS

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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*

Board of Directors
Arizona Bridge to Independent Living, Inc.
Phoenix, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Arizona Bridge to Independent Living, Inc., which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Arizona Bridge to Independent Living, Inc.'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Arizona Bridge to Independent Living, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Arizona Bridge to Independent Living, Inc.'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Arizona Bridge to Independent Living, Inc.'s consolidated 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*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 23, 2013

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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 OMB CIRCULAR A-133

Board of Directors
Arizona Bridge to Independent Living, Inc.
Phoenix, Arizona

Report on Compliance for the Major Federal Program

We have audited Arizona Bridge to Independent Living, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on Arizona Bridge to Independent Living, Inc.'s major federal program for the year ended June 30, 2013. Arizona Bridge to Independent Living, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance of Arizona Bridge to Independent Living, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Arizona Bridge to Independent Living, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the federal program. However, our audit does not provide a legal determination of Arizona Bridge to Independent Living, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, Arizona Bridge to Independent Living, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Arizona Bridge to Independent Living, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Arizona Bridge to Independent Living, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Arizona Bridge to Independent Living, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of Arizona Bridge to Independent Living, Inc. as of and for the year ended June 30, 2013, and have issued our report thereon dated October 23, 2013, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

Phoenix, Arizona
October 23, 2013

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC. AND SUBSIDIARY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

Section I – Summary of Auditors' Results

Financial Statements

The type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiency(ies) identified? ____ yes __x__ none reported

Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ yes __x__ no
- Significant deficiency(ies) identified? ____ yes __x__ none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? ____ yes __x__ no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs: $1,048,854

Auditee qualified as low-risk auditee? __x__ yes _____ no

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Prior Year Federal Award Findings and Questioned Costs

None

ARIZONA BRIDGE TO INDEPENDENT LIVING, INC. AND SUBSIDIARY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal agency/pass-through entity/ Federal assistance program	Contract Number	CFDA Number	Federal Award Expenditures	
U.S. Department of Housing and Urban Development				
Passed through:				
City of Phoenix, Community Development Block Grant	132608	14.218	$ 55,631	
City of Glendale, Community Development Block Grant	C-7855	14.218	17,516	
City of Glendale, Community Development Block Grant	C-8348	14.218	18,905	
City of Mesa, Community Development Block Grant	2110-4109-11	14.218	63,140	
City of Peoria, Community Development Block Grant	COPAZ-0000068189	14.218	25,735	
Total U.S. Department of Housing and Urban Development			180,927	
U.S. Department of Education				
Centers for Independent Living – Title VII	H132A930095-12	84.132A	89,785	
Centers for Independent Living – Title VII	H132A930095-12	84.132A	259,359	
Centers for Independent Living – Title VII-ARRA	H400A100065	84.132A	160,676	
Passed through:				
Arizona Department of Economic Security, TANF- Vocational Rehabilitation Establishment Grant Program	N/A	84.169A	18,320	
Total U.S. Department of Education			528,140	
U.S. Department of Health and Human Services				
Passed through:				
Arizona Department of Economic Security, Social Services Block Grant	DES070042-1-A5	93.667	72,468	
Southwest Catholic Health Network dba Mercy Care Plan, Medical Assistance Program	N/A	93.778	22,756,225	*
United Health Evercare of Arizona, Inc., Medical Assistance Program	N/A	93.778	3,383,658	*
Bridgeway Health Solutions, Medical Assistance Program	N/A	93.778	6,648,918	*
Bureau of Indian Affairs, Medical Assistance Program	N/A	93.778	106,362	*
Arizona Health Care Cost Containment System Medical Assistance Program	YH 13-0006	93.778	107,920	*
Arizona Department of Economic Security, Medical Assistance Program	00879	93.778	792,381	*
Total U.S. Department of Health and Human Services			$ 33,867,932	

Federal agency/pass-through entity/ Federal assistance program	Contract Number	CFDA Number	Federal Award Expenditures
U.S. Department of Social Security Administration			
Passed through:			
ABT Associates			
Benefit Offset National Demonstration			
Implementation and Evaluation	27089	96.008	384,800
Total U.S. Department of Social Security Administration			384,800
Grand Total			$ 34,961,799

* Indicates a major program for the fiscal year ended June 30, 2013.

This schedule should be read in connection with the accompanying notes to the schedule of expenditures of federal awards.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Arizona Bridge to Independent Living, Inc. and Subsidiary, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

Catalog of Federal Domestic Assistance (CFDA)

The program titles and CFDA numbers were obtained from the Catalog of Federal Domestic Assistance.

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.

- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).

- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.

- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

Phil Pangrazio
Signature of authorized agency representative

1-10-14
Date:

PHIL PANGRAZIO
Printed name

PRESIDENT/CEO
Title

ARIZONA BRIDGE TO INDEPENDENT LIVING (ABIL)
Organization

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Neighborhood Services,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Benevilla
Contact Person:	Michelle Dionisio
Contact Person Title:	President/CEO
Mailing Address:	PO Box 8450, Surprise, Arizona 85374
Street Address *(if different from mailing)*:	16752 N Greasewood Street, Surprise, Arizona 85374
Phone:	623-584-4999
Fax:	623-546-1589
E-mail:	mdionisio@benevilla.org
Website URL *(if applicable)*:	www.benevilla.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- ☒ Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies	X		
Fair Housing Policies			X
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	Adult Day Services, Home Delivered Meals, and Wirtzie's Child Development Center

Check applicable priority area(s) that the project addresses:

- ☒ Child care
- ☒ Health care
- ☐ Job training
- ☐ Recreation programs
- ☒ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- ☒ Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☒ Other

If Other, describe Other: Disabled Adults, parenting classes

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

Benevilla addresses the tremendous need for basic and other services (food, transportation, healthcare, etc.) for the rapidly-growing elderly population in the West Valley; for preparing children for kindergarten, and for parenting education and other programs for families in need.

The West Valley has experienced unprecedented growth; projections estimate that Surprise's population could surpass 350,000 by 2020 (Census, 2010). Nearly 15% of elderly West Valley residents live below the poverty level, 75% of women live in poverty after their husbands die (nearly 55% of women over age 75 are widowed), and 1 in 8 Americans over age 65 has Alzheimer's Disease.

In addition, hunger is a significant issue among the elderly in the West Valley. The AARP reports that 175,000 Arizona seniors face hunger every day (AARP, 2013). Feeding America reports that the number of food insecure seniors is projected to increase by 50% when the youngest of the Baby Boom Generation reaches age 60 in 2025 (Feeding, 2013). Chronic hunger negatively impacts their physical health and well-being. Receiving fewer nutrients than they need hinders their ability to live a full and active life and puts them at increased risk of a range of chronic illnesses, including diabetes, hypertension, hyperlipidemia, and various cardiovascular illnesses (Feeding, 2013). While poverty is a major contributor to senior hunger, another is people's inability to get to the grocery store to shop and/or prepare meals due to having a disability, weak eyesight, no vehicle, and other factors that keep them from driving. It should be noted that, due to federal and state budget cuts, **Benevilla's meal program is the only home delivery meal option for Surprise residents.**

In addition to challenges facing the elderly in Suprise, more than 11,000 children under the age of five live in Surprise, yet El Mirage, Sun City West, Surprise and Waddell offer no services related to parenting support; on average, 48% of all children entering school in Arizona do not have the essential skills, dispositions and supportive relationships they need to succeed; and 40% of children in Arizona live in families where a parent has no full-time or year-round employment (DES, 2013).

Further, the report, Young Children Develop In an Environment of Relationships, states that children ages 0-5 experience their world as an environment of relationships, and these relationships affect virtually all aspects of their development – intellectual, social, emotional, physical, behavioral, and moral. The quality and stability of a child's human relationships in the early years lay the foundation for a wide range of later developmental outcomes that really matter. These include self-confidence, sound mental health, motivation to learn, achievement in school and life, and knowing the difference between right and wrong (Young, 2012).

In response to these ongoing needs, Benevilla will continue to operate and expand its six Adult Day Centers and its Home Delivered Meals programming to improve the lives of more seniors and disabled adults in Surprise, reduce their isolation and provide intergenerational interaction and a host of activities to keep them engaged. In addition, Benevilla will continue to expand its Wirtzie's Child Development Center programming to serve more children (including many low-income children) and ensure they are receiving care, nutritious meals and snacks, and educational assistance in a safe, healthy, nurturing, relationship-based environment where they also participate in intergenerational activities.

Benevilla's collaborates with other agencies to avoid duplication and to maximize resources. Benevilla provides services directly, or makes appropriate referrals from our extensive information base of more than 1,000 providers and agencies. This saves costs and ensures people receive the best services for their specific needs. We also collaborate with a host of other organizations to complement the work we do and to work together on community and other projects.

As the West Valley continues to grow at an extraordinary pace, along with the number of residents needing assistance, requests for Benevilla's services and programs are continuing to increase significantly. In fact, over the past year alone, Benevilla provided 125,718 individual acts of service in the community through its programs. That is why Benevilla will continue to provide its host of effective programs to meet the community need described above.

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

Benevilla will provide its increased and enhanced services to residents within the City of Surprise, including the Original Townsite of Surprise (OTS) (see map in Attachment A).

Targeted demographic population of the city:

The demographic population that Benevilla will target are elderly (ages 65 and up) and disabled City of Surprise residents through its Adult Day Centers and HDM programming, and children, many from low-income families, ages one to five years, and their parents and family members who will be served by our Wirtzie's Child Development Center. Many of these individuals and families reside within the OTS.

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding:

Through the use of CDBG funding, Benevilla plans to quantifiably increase the level of service provided through its Adult Day Care Program, Home Delivered Meal Program, and Wirtzie's Child Development Center. These programs will improve the health and well-being of children, seniors and disabled adults in Surprise; will provide needed respite for caregivers; and will positively impact the emotional, mental, social and academic development of the children served. Our measurable outcomes for the grant period include:

- At least 400 elderly participants and their families (including at least 88 Surprise residents) will be assisted by the Adult Day Centers programming.
- At least 90% of participants will agree that the activities offered provided socialization and educational opportunities.
- At least 75% of the caregivers will report a decrease in their loved ones agitation at home due to attendance at the day center.
- Reducing our clients' re-admissions to local hospitals by at least 25%.
- A total of 35-40% of the caregivers will participate in monthly caregiver support groups to provide encouragement and respite.
- Conducting at least 100 home visits to discuss the HDM Program with potential new clients, at least 50% of whom will be Surprise residents.
- Delivering at least 9,000 nutritious meals or entrees to low-income, homebound, disabled and other adults. Of these, we expect 3,500-4,000 meals will be delivered to Surprise residents.
- Enrollment in Wirtzie's Child Development Center will increase by at least 25%. This will bring our enrollment up from 69 to 80 students. Of these, at least 48 children will be Surprise residents.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

The population served through Benevilla's programs includes high-priority targeted individuals, including seniors, the frail elderly, and disabled persons that will be served through Benevilla's Adult Day Center and Home Delivered Meals programs; and youth and their families residing in the Original Townsite of Surprise. The goals of Benevilla's Adult Day Programs are to enrich the lives of elderly and disabled adults; reduce their isolation and loneliness; provide opportunities for socialization; and stimulate their interests in leisure activities. We serve elderly adults who need health monitoring or supervision during the day, who need personal care and would benefit from socialization and activities, and family members and caregivers needing respite.

The goal of Benevilla's Home Delivered Meals Program is to improve the health, well-being, and nutritional status of elderly and disabled adults by delivering hot, nutritious meals to them. Meals are delivered Monday through Friday from 11:15 a.m. - 1:00 p.m. Benevilla's standard meal includes an entrée, starch, vegetable, soup or salad, bread, beverage and dessert. We also offer hardy, heart-healthy, and weekend meals. All meals are chef-planned, dietician-approved, and prepared in Benevilla's Birt's Bistro commercial kitchen. Over the past year, Benevilla delivered nearly 8,700 meals. A total of 6,166 volunteer hours were invested to make the deliveries and these generous volunteers logged 47,238 miles.

Finally, the goal of Benevilla's Wirtzie's Child Development Center is to provide quality childcare in a stimulating, developmentally-appropriate learning environment and improve children's health and well-being. Wirtzie's provides licensed childcare, specially-designed classrooms, an effective and proven educational curriculum, development play structures and an outdoor playground for up to 80 children ages one to five years. Through multi-sensory, hands-on activities, children develop their social, physical, cognitive and language skills. In addition, Wirtzie's registered dietitian works in conjunction with our professional chef to ensure children receive hot, nutritious meals and snacks daily. This is especially important for the low-income children we serve that may be at risk of missing home meals.

One of the most unique and exciting aspects of Wirtzie's is our Intergenerational Program. This special program provides structured, intentional time for children to spend with older generations of people. Art's Center for All Ages features a sensory garden, reading room and performance stage. The children and adults typically interact five times each week through a number of activities, including working together in the garden and playing games. Experience and research have shown that interaction between the generations has a tremendous mental, emotional and social benefit to both older adults and children.

Benevilla also operates a gardening project as part of its Intergenerational Program. The adults work with the children to plant seeds and seedlings and teach them how to maintain the garden. They are assisted by a volunteer gardener who teaches the importance of eating fresh vegetables. In addition, Benevilla uses curriculum to teach the children about the health benefits of vegetables. As an added bonus, the children's parents take home free produce at harvest time to help them prepare nutritious meals for their family.

All of the enhanced programming proposed in this document supports services that will result in improved health, wellness and quality of life for Surprise residents in need, many of whom reside within the OTS. Finally, the programs comply with CDBG National Objectives to benefit low- and moderate-income persons. Funding from the City of Surprise for the Home Delivered Meals Program, for example, will help subsidize the cost of those meals for low- and moderate-income seniors and disabled adults residing in Surprise. Wirtzie's provides childcare, education, and other services that serve low- and moderate-income children and families in Surprise.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

Benevilla was formed in 1981 by a group of citizens who were concerned that many of the community's elderly residents could not obtain important services locally, and that this lack of services and support could cause premature institutionalization or rapid decline in their physical and mental well-being. Today, Benevilla serves people of all ages through its programs and services. Benevilla is considered the area's "one stop shop" for superior care services. Benevilla provides services directly, or makes appropriate referrals from its extensive information base of more than 1,000 providers and agencies. We collaborate with a host of other organizations to complement the work we do and to work together on community and other projects. Each year, Benevilla provides services for nearly 11,000 individuals. In February 2013, Benevilla received the Surprise Regional Chamber of Commerce Spirit of Community Award for Nonprofits and, on April 25, 2013, was honored for its service by the Arizona Interfaith Movement. Finally, West Valley Women named Benevilla's President and CEO, Michelle Dionisio, as its 2013 Woman of the Year and honored her on October 1, 2013 at the Arizona Broadway Theatre.

Benevilla's mission is to enhance the experience of life for people of all ages. For more than 33 years, Benevilla has been accomplishing its mission with compassion, efficiency and integrity, holding the care and dignity of the individual at its highest value. We envision a world in which all individuals thrive, live well and control their own destiny. Benevilla provides services that address the day-to-day physical, academic, emotional and social development needs of elderly adults and those with intellectual disabilities, children, and families. Benevilla also provides programs of psychosocial support for people caring for a loved one with Alzheimer's, who recently had a stroke, or is intellectually disabled.

Benevilla is licensed by the Arizona Department of Health Services and maintains service contracts with the Area Agency on Aging, Veterans Administration, the Division of Developmental Disabilities, and others. We operate the only adult day-time memory and Alzheimer's centers in the state of Arizona. Benevilla also is the only licensed adult day healthcare services provider in Maricopa County to be accredited by CARF, the National Commission on Accreditation of Rehabilitation Facilities. Our Birt's Bistro and Bookstore is the only (or one of the only) social enterprise of its kind in the Southwest. Our intergenerational programming is an innovative blending of daycare for children with an elderly daycare population, which helped create the "blueprint" for the entire nation in successful intergenerational care.

Benevilla's current program activities include:

- A network of six adult day centers, which enrich the lives of elderly and disabled adults; provide opportunities for socialization; and stimulate their interests in leisure activities.

- Volunteer Home Services Program, through which volunteers assist elderly and disabled residents with minor home repairs, transportation, and other assistance.

- Home Delivered Meals Program: Benevilla volunteers deliver meals every week to food-insecure, home-bound, convalescing, and other individuals.

- Grocery Shopping Program: Volunteers conduct grocery shopping on a weekly basis for elderly and disabled adults.

- Wirtzie's Preschool and Childcare: Wirtzie's provides quality, licensed childcare; nutritious meals and snacks; effective and proven curriculum; development play structures and an outdoor playground for children ages 1-5.

- Family Resource Center, which provides support for parents raising children and helps strengthen families so children are prepared for success in school and life.

Benevilla's recent accomplishments include:

- Delivering 8,700 nutritious meals to elderly and disabled people in need.

- Assisting 420 elderly and disabled individuals with grocery shopping, home repairs, transportation and other services.

- Taking a lead in improving transit services to help elderly and disabled residents. Benevilla is facilitating efforts to improve transportation in the Northwest Valley, including conducting transit coordination between several adult day centers, local organizations, associations and cities; coordinating transit activities among Benevilla's and partner agencies' vehicles that provide needed transport to elderly and disabled clientele; and conducting monthly Community Transportation Stakeholders meetings, which have grown from a dozen organization members to now include representatives from the Recreation Centers of Sun City; City of Peoria, Glendale and Surprise Dial-A-Ride; Sun City Home Owners Association; congregations, Valley Metro; and others.

- Establishing a community garden that has become the "hub" of social and educational activities for adults and children.

- Establishing a monthly farmer's market at Benevilla's Community Campus so that adults and children have access to nutritious vegetables, fruits and other products to prepare healthy meals.

- Continuing to operate a Parent and Child Lending Library that contains books on such topics as child development, communication, family time, manners, and feelings that nearly 100 families currently utilize -- including grandparents who are raising their grandchildren.

- Distributing 865 Parent Paks that contain our newsletter, class schedules and parenting information and tips, and more than 1,968 pieces of parenting materials.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	**Yes**	**No**	**NA**
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed):

Other agency funding sources include individuals (including bequests); congregations; foundation and corporate grants (Bank of America Foundation, Thunderbirds Charities, West Valley Lutheran Thrift Shop, Sun City Rotary Foundation, etc.); Area Agency for Aging, Region One; service clubs; in-kind donations; special events; client services; and the Cities of Peoria and Goodyear.

Program Team:

Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

Staff Member	Background and Expertise of Personnel
Name: Jane Bruzzese Title: Senior Director of Programs FTE on This Project: 0.1	Received a Bachelor of Arts from Anderson University in Indiana. Working for 30 years (including 20 years at Benevilla) in social work. Received basic certification in Aging Services Management and Administrative Training from Phoenix College in 2004. She will oversee the Home Delivered Meals Program.
Name: Gwen A. Shawley Title: Director of Wirtzie's Child Development Center FTE on This Project: 1.0	Holds a Master's Degree in Early Childhood Education from Grand Canyon University. She brings a wide range of experience from working in the classrooms, training teachers, assessing programs, and directing nationally accredited programs. Work includes full facility management of the day to day operation of the Wirtzie's Child Development Center; management and coordination of 15+ employees; overseeing daily implementation of curriculum; and ensuring the program remains in compliance with State regulations in every classroom at all times.
Name: Joanne Thomson Title: Senior Director of Day Services FTE on This Project: 1.0	Received a Bachelor of Science degree in Recreation Administration from California State University in Chico with an option in Therapeutic Recreation. She served as Benevilla's Day Center Supervisor for six years and became the agency's Senior Director of Day Services in 2012. Prior to this, served as Recreation Therapist III at Arizona State Hospital and as Certified Therapeutic Recreation Specialist at Sonoma Developmental Center in California for six years.

Project Cost

Estimated Total Cost of Project:	$181,021
CDBG Funding Amount Requested for Project:	$24,997
Total Number of Units Served:	626 home delivered meals 230 Days of adult day services 220 full days OR 500 half days of childcare 1545 units of service
Total Cost per Unit	Home Delivered Meals $4.50 per unit Total: $2817 Adult Day Services: $40 per unit Total: $9,200 Wirtzie's Preschool & Childcare: $19 per full day unit Total: $4180 $10 per ½ day unit Total: $8,800
Total CDBG Cost per Unit	$ $4.50-$40
Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	See table below

Source	Year	Amount
Bank of America Foundation	2014	$15,000
Thunderbirds Charities	2014	$25,000
West Valley Lutheran Thrift	2013	$ 5,000
Sun City Rotary Foundation	2014	$ 5,000
Government grants and general donations that will be received through direct mail, events, etc.	2013/14	$106,021

Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	Benevilla would continue providing services by raising additional funds from individuals, corporations, foundations, congregations, events and service clubs. This would be done via formal grant applications, direct mail, direct appeals and other fundraising strategies.
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes. However, if the project were not fully funded, it would limit the amount of support that could be provided to Surprise residents in need.

***PLEASE NOTE:** Benevilla's Adult Day Center in Surprise is licensed by the Arizona Department of Health Services. As such, Benevilla is required to maintain a certain ratio and level of staff members, including a registered nurse, a therapist, and other professionals and support staff. As a result, these regulations and requirements contribute to our having a higher per unit cost than non-licensed agencies or volunteer-based agencies.

Project Timeline

Project start date: 10/1/14 **Project completion date:** 9/30/15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	**1st Quarter**			**2nd Quarter**			**3rd Quarter**			**4th Quarter**		
	(each box represents one month)											
Conduct training of Adult Day Care staff to increase their expertise in meeting the needs and strengths of our clients as the number of those served increases.		X		X		X		X		X		X
Conduct outreach to inform Surprise residents about the Adult Day Centers and HDM Programs and increase participation, including distributing flyers about the programs at senior housing developments like Sunflower Resort, Coyotes Lakes Housing, Quilceda, Rose Garden Manufactured Home Park and other senior living areas in Surprise; advertising and promoting the program at health fairs, churches, and apartment complexes in Surprise; promoting the program, and providing collateral materials to people at one or more events at the Surprise Baseball Stadium; placing ads and notices in local papers; posting flyers and other information about the programs at all of our partner agencies' facilities; placing special interest stories in local papers and on Benevilla's website; and putting additional information on Benevilla's website about the programs to increase awareness. Benevilla's Day Center Supervisor also regularly attends brown bag networking and breakfast events where she has the opportunity to talk about the program.	X	X	X	X	X	X	X	X	X	X	X	X

Conduct a specialized Early Stage Memory Loss Program at Lucy Anne's Place, utilizing innovative brain activities designed to improve our clients' socialization and cognitive skills, as well as a caregiver support group for those caring for someone with Early Stage Memory Loss.				X	X	X		X	X	X		X
Conduct pre-program in-home visit assessments with potential new Home Delivered Meals clients and coordinate volunteers to deliver meals to clients.	X	X	X	X	X	X	X	X	X	X	X	X
Manage Home Delivered Meal routes, client files, and other data to ensure accurate meal delivery services. Many clients utilize this for short periods of time, such as while recovering from surgery, or a few weeks prior to entering an assisted living facility. That is why it is imperative to manage the program to keep track of a large, but fluid, client list.	X	X	X	X	X	X	X	X	X	X	X	X
Secure additional funds to further subsidize the cost of the home delivered meals for those participants from low-income households.	X	X	X	X	X	X	X	X	X	X	X	X
Increase public awareness of Wirtzie's Child Development Center through Open House events (March and October 2013), the Healthy Families/Healthy Kids Fair (April 2013), the Festival of Cheer (December 2013), other community events, and through advertising on our website and other venues.			X	X						X		X
Conduct staff development and continuing education for the teachers involved in the Wirtzie's Child Development Center to keep staff as educated as possible in current educational practices and theories.			X			X			X			x

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Salaries & Wages Senior Director of Programs ($54,530 x .25 FTE = $13,633) Senior Director of Adult Day Centers ($51,000x .5 FTE = $ $ 25,500) Director of Wirtzie's Child Development Center ($ 46000x.25 FTE = $11,500)	$0	Bank of America Foundation, Thunderbirds Charities, West Valley Lutheran Thrift Shop, Sun City Rotary Foundation, and other Grants and General Donations from individuals, events, civic organizations, etc.	$ 50,633	$50,633
Fringe Benefits Social Security, AZ unemployment, Worker's comp, Medicare, Insurance	$0	Grants and General Donations from individuals, events, etc.	$4,511	$4,511
Home Delivered Meals Funds to subsidize the cost of home delivered meals for low-income Surprise residents, paying $4.00 per meal ($8.50 per meal minus $4.50 subsidy)	$ $2,817	Grants and General Donations from individuals, events, etc.	$2,000	$4817
Adult Day Services Funds to subsidize the cost of attending the Adult Day Centers Surprise residents pay: $40 subsidy $40	$9,200	Grants and General Donations from individuals, events, etc.		
Wirtzie's Preschool and ChildCare Funds to subsidize the cost of attending the Preschool and child care.Full day weekly rates ranges $84-$101 subsidy $95 Part Time weekly rates range $25-$130 Subsidy $10 per day up to $50 per week.	$12,980	Grants and General Donations from individuals, events, etc.		

Supplies - Program Purchase software updates to track Surprise residents receiving home delivered meals, frequency, etc.; seeds for the garden, paper, curriculum, pens, and other items for childcare program; purchase items to create flyers and ads to inform residents about the programs; and purchase arts and crafts materials, board games, and a host of other supplies for the Adult Day Center.	$0	Grants and General Donations from individuals, events, etc.	$21,146	
Supplies - Office General office supplies for program staff.	$0	Grants and General Donations from individuals, events, etc.	$16,106	$16,106
Staff Mileage Mileage for in-city traveling, meetings, outreach to HDM clients, etc.	$0	Grants and General Donations from individuals, events, etc.	$3,402	$3,402
Conferences/ Education Opportunities for staff to advance their skills and better serve our clients	$0	Grants and General Donations from individuals, events, etc.	$2,875	$2,875
Dues/Memberships Subscriptions	$0	Grants and General Donations from individuals, events, etc.	$3,040	$3,040
Advertising/Outreach Creating and placing ads in newspapers, magazines and other publications; creating items and updates and placing them on Benevilla's website; printing flyers and other items to advertise the programs in Surprise; printing other materials for staff training purposes.	$0	Grants and General Donations from individuals, events, etc.	$12,000	$12,000

Miscellaneous	$0	Grants and General Donations from individuals, events, etc.	$1,795	$1,795
General and Admin. – Allocated General Admin Costs for programs	$0	Grants and General Donations from individuals, events, etc.	$25,000	$25,000
Total	$24997		$156,021	$181,021

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.
- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).
- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.
- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

Michelle Dionisio
Signature of authorized agency representative

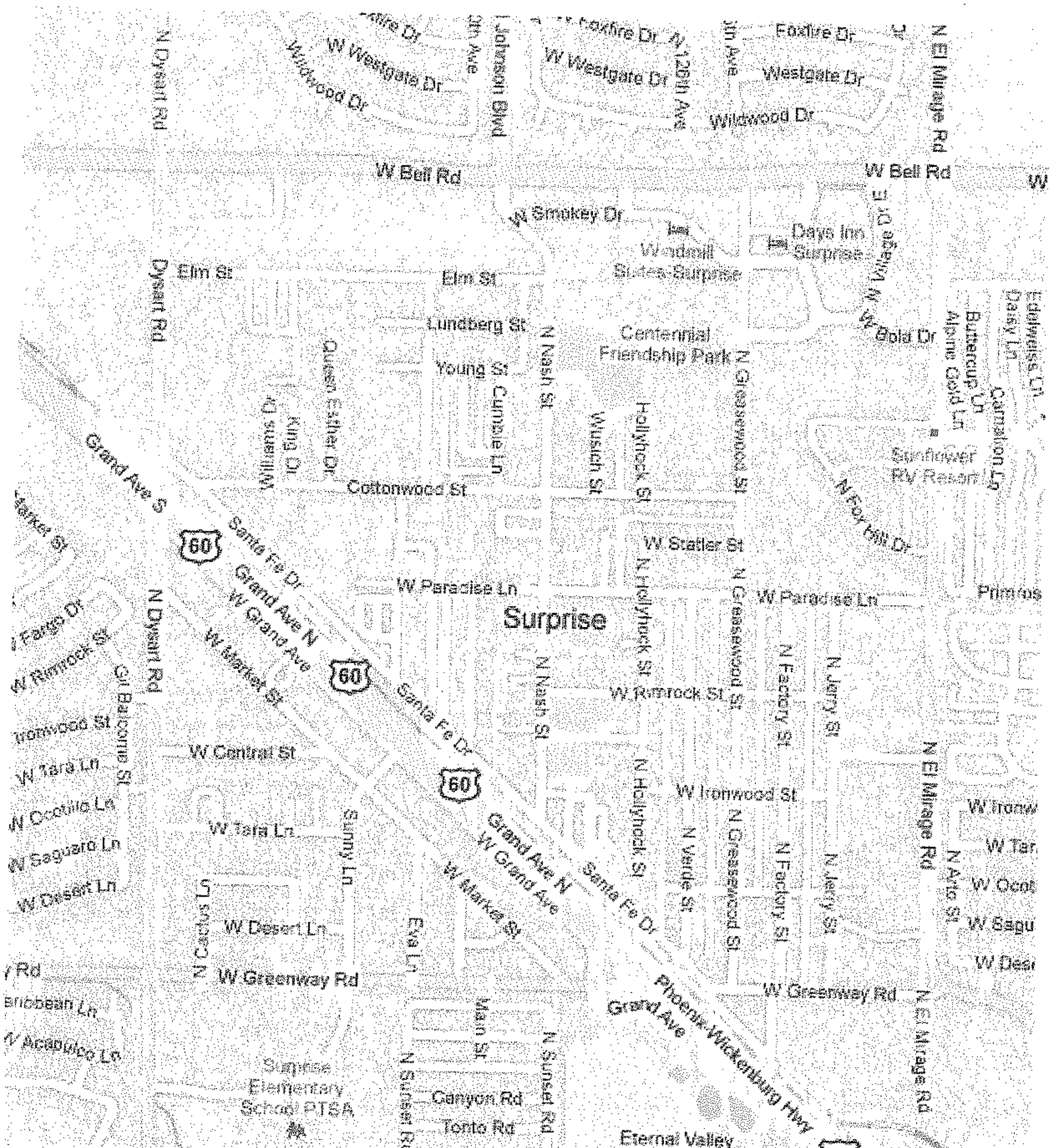
1/23/14
Date:

Michelle Dionisio
Printed name

President/CEO
Title

Benevilla
Organization

Attachment A
City of Surprise Map



ATTACHMENT B

501C3 DOCUMENTATION

IRS Department of the Treasury
Internal Revenue Service

P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248358237
Apr. 23, 2012 LTR 4168C E0
86-0404687 000000 00
00022858
BODC: TE

SUN CITY AREA INTERFAITH SERVICES
INC
PO BOX 8450
SURPRISE AZ 85374-0124

040747

Employer Identification Number: 86-0404687
Person to Contact: Mr. Kammerer
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Apr. 12, 2012, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in December 1981.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

SAMartin

S. A. Martin, Operations Manager
Accounts Management Operations

ATTACHMENT C

FINANCIAL AUDIT

BENEVILLA AND SUBSIDIARIES
Surprise, Arizona

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

TABLE OF CONTENTS

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

CliftonLarsonAllen

INDEPENDENT AUDITORS' REPORT

Board of Directors
Benevilla
Surprise, Arizona

We have audited the accompanying consolidated financial statements of Benevilla and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Benevilla and Subsidiaries as of December 31, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

CliftonLarsonAllen LLP

Phoenix, Arizona
April 23, 2013

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS

	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	$ 334,494	$ 252,006
Cash restricted for employee education	40,129	40,129
Accounts receivable, net of allowance	285,308	316,151
Grants receivable	-	50,000
Bequests receivable	10,909	17,289
Inventory	11,010	10,413
Prepaid expenses	30,803	51,500
Total current assets	712,653	737,488
BEQUESTS RECEIVABLE, less current portion and net of unamortized discount	-	1,665
INVESTMENTS	3,218,974	3,327,749
PROPERTY HELD FOR SALE	11,377	11,377
PROPERTY AND EQUIPMENT, NET	7,985,954	8,329,133
ASSETS RESTRICTED FOR CAPITAL CAMPAIGN		
Cash	168,845	44,236
Pledges receivable, less unamortized discount	491,431	486,471
Total assets restricted for capital campaign	660,276	530,707
TOTAL ASSETS	$ 12,589,234	$ 12,938,119

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES		
Accounts payable	$ 196,035	$ 151,778
Accrued expenses	225,172	210,578
Line of credit	612,405	631,773
Current maturities of notes payable	100,000	-
Current maturities of long-term debt	41,675	38,916
Current maturities of charitable gift annuities	15,392	22,817
Total current liabilities	1,190,679	1,055,862
NOTES PAYABLE	400,000	500,000
LONG-TERM DEBT, less current maturities	891,369	1,823,803
CHARITABLE GIFT ANNUITIES, less current maturities	76,606	74,094
Total liabilities	2,558,654	3,453,759
NET ASSETS		
Unrestricted	6,277,136	6,043,709
Temporarily restricted	1,006,340	693,547
Permanently restricted	2,747,104	2,747,104
Total net assets	10,030,580	9,484,360
TOTAL LIABILITIES AND NET ASSETS	$ 12,589,234	$ 12,938,119

The accompanying notes are an integral part of the consolidated financial statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
SUPPORT AND REVENUE				
Contributions	$ 1,127,061	$ 637,690	$ -	$ 1,764,751
Participant fees	2,659,538	-	-	2,659,538
In-kind contributions	124,058	-	-	124,058
Grants	567,498	232,500	-	799,998
Interest and dividend income	77,642	97,969	-	175,611
Unrealized/realized gains (loss)	94,325	-	-	94,325
Change in value on gift annuities	4,913	-	-	4,913
Food sales	805,837	-	-	805,837
Loss on disposal of assets	(500)	-	-	(500)
Other income	72,825	-	-	72,825
Net assets released from restrictions	655,366	(655,366)	-	-
Total support and revenue	6,188,563	312,793	-	6,501,356
EXPENSES				
Program Services				
Day Care	1,980,103	-	-	1,980,103
Family resource center	219,222	-	-	219,222
Lifeline	75,589	-	-	75,589
Home services	95,957	-	-	95,957
Intake	97,722	-	-	97,722
Transportation	322,623	-	-	322,623
Volunteer recruitment and training	61,752	-	-	61,752
Child care center	651,563	-	-	651,563
Food services	906,566	-	-	906,566
Total program services	4,411,097	-	-	4,411,097
Supporting Services				
Management and general	987,038	-	-	987,038
Facilities maintenance	44,251	-	-	44,251
Marketing	74,478	-	-	74,478
Fundraising	438,272	-	-	438,272
Total supporting services	1,544,039	-	-	1,544,039
Total expenses	5,955,136	-	-	5,955,136
CHANGES IN NET ASSETS	233,427	312,793	-	546,220
NET ASSETS, BEGINNING OF YEAR	6,043,709	693,547	2,747,104	9,484,360
NET ASSETS, END OF YEAR	$ 6,277,136	$ 1,006,340	$ 2,747,104	$ 10,030,580

	2011		
Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
$ 1,422,439	$ 640,000	$ 193,258	$ 2,255,697
2,556,555	-	-	2,556,555
197,486	-	-	197,486
896,927	50,000	-	946,927
136,316	35,767	-	172,083
(114,307)	-	-	(114,307)
(16,326)	-	-	(16,326)
826,917	-	-	826,917
(12,031)	-	-	(12,031)
117,250	-	-	117,250
753,383	(713,383)	(40,000)	-
6,764,609	12,384	153,258	6,930,251
2,311,321	-	-	2,311,321
141,823	-	-	141,823
73,862	-	-	73,862
89,349	-	-	89,349
97,463	-	-	97,463
294,523	-	-	294,523
89,551	-	-	89,551
714,906	-	-	714,906
1,289,012	-	-	1,289,012
5,101,810	-	-	5,101,810
820,998	-	-	820,998
80,950	-	-	80,950
220,299	-	-	220,299
560,170	-	-	560,170
1,682,417	-	-	1,682,417
6,784,227	-	-	6,784,227
(19,618)	12,384	153,258	146,024
6,063,327	681,163	2,593,846	9,338,336
$ 6,043,709	$ 693,547	$ 2,747,104	$ 9,484,360

The accompanying notes are an integral part of the consolidated financial statements.

BENEVILLA AND SUSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Program Services									
	Day Care	Family Resource Center	Lifeline	Home Services	Intake	Transportation	Volunteer Recruitment and Training	Child Care Center	Food Services	Total Program Services
Salaries	$ 1,009,667	$ 184,002	$ 5,121	$ 75,336	$ 80,047	$ 134,155	$ 35,511	$ 327,498	$ 307,859	$ 2,159,196
Payroll taxes	72,491	10,688	392	4,728	6,972	10,323	2,539	23,482	16,640	148,255
Employee benefits	117,296	10,031	87	3,739	8,778	4,807	8,894	45,377	19,039	218,048
	1,199,454	204,721	5,600	83,803	95,797	149,285	46,944	396,357	343,538	2,525,499
In-kind rent	112,476	-	-	-	-	-	-	-	-	112,476
Participant meals	307,992	-	-	-	-	-	-	48,782	266,194	622,968
Vehicle expenses	11,036	1,959	2,181	494	402	102,208	318	73	5,262	123,933
Supplies	75,724	4,612	204	922	1,064	1,843	702	19,131	57,484	161,686
Telephone	30,231	4,257	-	870	428	3,068	-	5,870	1,927	46,651
Occupancy	101,538	-	-	3,564	-	-	-	46,622	34,352	186,076
Interest expense	12,679	-	-	-	-	-	-	24,393	-	37,072
Postage	-	-	605	-	-	-	-	-	-	605
Conferences and meetings	1,190	1,176	-	19	31	1,291	231	1,015	1,913	6,866
Printing	-	-	-	180	-	-	217	-	-	397
Equipment leases	-	-	-	-	-	-	-	-	-	-
Insurance	24,573	-	-	4,605	-	45,108	-	2,313	-	76,599
Special events	-	-	-	-	-	-	-	-	-	-
Advertising	1,828	2,305	703	149	-	-	8	11,755	17,427	34,175
Fees and taxes	-	-	66,276	-	-	-	-	-	90,901	157,177
Computer services	-	-	-	-	-	-	-	-	30,279	30,279
Miscellaneous	546	192	20	1,351	-	-	13,332	130	107	15,678
Depreciation and amortization	100,836	-	-	-	-	19,820	-	95,122	57,182	272,960
TOTAL FUNCTIONAL EXPENSES	$ 1,980,103	$ 219,222	$ 75,589	$ 95,957	$ 97,722	$ 322,623	$ 61,752	$ 651,563	$ 906,566	$ 4,411,097

(Continued)

BENEVILLA AND SUSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2012

	Supporting Services					
	Management and General	Facilities Maintenance	Marketing	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries	$ 445,216	$ 32,183	$ 46,258	$ 217,466	$ 741,123	$ 2,900,319
Payroll taxes	33,630	2,419	3,056	12,196	51,301	199,556
Employee benefits	119,536	7,403	4,901	31,511	163,351	381,399
	598,382	42,005	54,215	261,173	955,775	3,481,274
In-kind rent	-	-	-	-	-	112,476
Participant meals	-	-	-	-	-	622,968
Vehicle expenses	1,279	1,109	381	1,419	4,188	128,121
Supplies	20,354	204	3,487	18,567	42,612	204,298
Telephone	19,373	933	189	2,741	23,236	69,887
Occupancy	53,458	-	-	-	53,458	239,534
Interest expense	55,763	-	-	-	55,763	92,835
Postage	3,415	-	2,951	17,759	24,125	24,730
Conferences and meetings	4,800	-	-	930	5,730	12,596
Printing	279	-	4,738	33,569	38,586	38,983
Equipment leases	8,386	-	-	-	8,386	8,386
Insurance	10,592	-	-	-	10,592	87,191
Special events	-	-	2,784	59,045	61,829	61,829
Advertising	2,529	-	5,081	5,055	12,665	46,840
Fees and taxes	111,508	-	-	21,282	132,790	289,967
Computer services	-	-	140	16,732	16,872	47,151
Miscellaneous	19,845	-	512	-	20,357	36,035
Depreciation and amortization	77,075	-	-	-	77,075	350,035
TOTAL FUNCTIONAL EXPENSES	$ 987,038	$ 44,251	$ 74,478	$ 438,272	$ 1,544,039	$ 5,955,136

The accompanying notes are an integral part of the consolidated financial statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Program Services									
	Day Care	Family Resource Center	Lifeline	Home Services	Intake	Transportation	Volunteer Recruitment and Training	Child Care Center	Food Services	Total Program Services
Salaries	$ 1,162,152	$ 99,044	$ 6,009	$ 73,292	$ 76,282	$ 128,864	$ 48,529	$ 391,069	$ 460,930	$ 2,446,171
Payroll taxes	82,813	7,031	459	6,254	5,405	9,864	3,770	29,209	28,531	173,336
Employee benefits	133,860	11,720	64	2,111	14,487	6,797	10,535	37,445	22,752	239,771
	1,378,825	117,795	6,532	81,657	96,174	145,525	62,834	457,723	512,213	2,859,278
In-kind rent	181,416	-	-	-	-	-	-	-	-	181,416
Participant meals	232,897	-	-	-	-	-	-	33,264	374,917	641,078
Vehicle expenses	11,505	838	2,150	636	526	97,333	298	124	7,289	120,699
Supplies	198,486	3,613	178	491	284	402	1,221	14,690	101,290	320,655
Telephone	30,494	4,271	-	785	419	2,267	-	4,595	5,302	48,133
Occupancy	117,758	-	-	2,425	-	-	-	46,858	56,580	223,621
Interest expense	25,733	-	-	-	-	-	-	49,506	29,924	105,163
Postage	-	-	385	-	-	-	-	-	-	385
Conferences and meetings	2,126	239	-	-	60	(2,195)	132	1,584	3,921	5,867
Printing	-	-	-	-	-	-	-	-	-	-
Equipment leases	-	-	-	-	-	-	-	-	-	-
Insurance	20,101	-	-	3,355	-	27,845	-	1,685	768	53,754
Special events	-	-	-	-	-	-	-	-	-	-
Advertising	2,375	15,067	49	-	-	-	428	11,029	10,787	39,735
Fees and taxes	-	-	64,568	-	-	-	-	-	118,276	182,844
Computer services	-	-	-	-	-	-	-	-	4,852	4,852
Miscellaneous	241	-	-	-	-	-	24,638	472	3,670	29,021
Depreciation and amortization	109,364	-	-	-	-	23,346	-	93,376	59,223	285,309
TOTAL FUNCTIONAL EXPENSES	$ 2,311,321	$ 141,823	$ 73,862	$ 89,349	$ 97,463	$ 294,523	$ 89,551	$ 714,906	$ 1,289,012	$ 5,101,810

(Continued)

BENEVILLA AND SUSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2011

	Supporting Services					
	Management and General	Facilities Maintenance	Marketing	Fundraising	Total Supporting Services	Total Functional Expenses
Salaries	$ 305,174	$ 64,251	$ 103,041	$ 337,829	$ 810,295	$ 3,256,466
Payroll taxes	26,521	4,712	6,325	21,155	58,713	232,049
Employee benefits	31,926	9,684	5,925	37,054	84,589	324,360
	363,621	78,647	115,291	396,038	953,597	3,812,875
In-kind rent	-	-	-	-	-	181,416
Participant meals	-	-	-	-	-	641,078
Vehicle expenses	6,340	535	241	2,178	9,294	129,993
Supplies	41,645	403	3,003	24,561	69,612	390,267
Telephone	19,520	1,130	104	4,561	25,315	73,448
Occupancy	55,434	235	-	-	55,669	279,290
Interest expense	67,037	-	-	-	67,037	172,200
Postage	3,484	-	3,168	10,643	17,295	17,680
Conferences and meetings	7,849	-	670	3,601	12,120	17,987
Printing	443	-	(2,038)	29,117	27,522	27,522
Equipment leases	10,652	-	-	-	10,652	10,652
Insurance	9,479	-	-	-	9,479	63,233
Special events	-	-	81,527	6,467	87,994	87,994
Advertising	6,869	-	18,272	2,350	27,491	67,226
Fees and taxes	119,727	-	-	68,831	188,558	371,402
Computer services	250	-	-	11,823	12,073	16,925
Miscellaneous	18,031	-	61	-	18,092	47,113
Depreciation and amortization	90,617	-	-	-	90,617	375,926
TOTAL FUNCTIONAL EXPENSES	$ 820,998	$ 80,950	$ 220,299	$ 560,170	$ 1,682,417	$ 6,784,227

The accompanying notes are an integral part of the consolidated financial statements.

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ 546,220	$ 146,024
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	350,035	375,926
Donated securities	(299,753)	-
Loss on disposal of assets	500	12,031
Change on discount on pledges receivable	12,919	-
Provision for doubtful accounts receivable	(6,196)	3,604
Net realized gains on investments	(1,091)	(41,022)
Net unrealized loss (gains) on investments	(93,234)	155,329
Change in value of charitable gift annuities liability	(4,913)	16,326
Increase (decrease) in cash resulting from changes in:		
Accounts receivable	37,039	(51,884)
Grants receivable	50,000	(50,000)
Bequests receivable	8,045	13,709
Inventory	(597)	4,340
Prepaid expenses	20,697	(30,089)
Property held for sale	-	91,273
Assets restricted for capital campaign	(642,609)	(523,914)
Accounts payable	44,257	(114,733)
Accrued expenses	14,594	42,673
Net cash provided by operating activities	35,913	49,593
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,844,010)	(1,479,931)
Proceeds from sale of investments	3,346,863	1,661,344
Purchases of property and equipment	(19,693)	(118,099)
Proceeds from sale of property and equipment	12,337	-
Net cash provided by investing activities	495,497	63,314

(Continued)

BENEVILLA AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
Years Ended December 31, 2012 and 2011

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	$ 65,000	$ -
Payments on line of credit, net	(84,368)	(227)
Proceeds from notes payable	-	500,000
Proceeds from long term debt	4,567	3,615
Payments on long term debt	(934,242)	(966,242)
Collections from capital capital campaign pledges	500,121	548,806
Net cash provided by (used in) financing activities	(448,922)	85,952
NET INCREASE IN CASH AND CASH EQUIVALENTS	82,488	198,859
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	252,006	53,147
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 334,494	$ 252,006
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 120,762	$ 172,129

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Organization

Benevillla, formerly known as Sun City Area Interfaith Services, Inc. d/b/a Interfaith Community Care, was incorporated in the state of Arizona in May 1981. As of April 15, 2010, the Organization changed its d/b/a name to Benevilla. Benevilla was formed to meet the existing and emerging human service needs by promoting the physical, psychological, spiritual and social well being of aging individuals and their families so that they may develop and maintain dignity and independence. In doing so, these individuals will be afforded the opportunity to remain in their homes as long as possible. This is accomplished in cooperation with other agencies by adherence to the highest professional, moral, ethical, and spiritual standards. These services are provided primarily throughout the Sun City area and throughout the west valley of the greater Phoenix metropolitan area.

ICC Bistro and Catering, Inc. d/b/a Birt's Bistro (Birt's Bistro), was incorporated in the State of Arizona in 2009 and is 100% owned by Benevilla. Birt's Bistro, Inc. is a restaurant and catering business that is open to the public and also prepares meals for the day centers operated by Benevilla. Birt's Bistro issued 10,000 shares of common stock to the Organization.

ICC Child Care, LLC d/b/a Wirtzie's Child Development Center (Wirtzie's) was incorporated in the State of Arizona in 2009 and is 100% owned by Benevilla. Wirtzie's offers quality, affordable child care, infant care and preschool for children six weeks to 5 years old in Surprise, Arizona.

Consolidated Financial Statements

The consolidated financial statements include the accounts of Benevilla, ICC Bistro and Catering, Inc. and ICC Child Care, LLC (collectively referred to as the Organization). All of the financial activities and balances of these organizations are included in these consolidated financial statements. All significant interorganization accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements are presented in accordance with American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, the Organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets
Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board of Directors for use in the Organization's operations, in accordance with its bylaws. Temporarily restricted assets received and expended in the same year are classified as unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Temporarily Restricted Net Assets
Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Organization and/or the passage of time.

Permanently Restricted Net Assets
Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the total aggregate contributions remain in perpetuity and a portion of total investment return is available as unrestricted or temporarily restricted, as per the endowment agreements.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted explicitly by donor stipulation or by law. Expirations of temporary restrictions on net assets, i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as reclassifications to unrestricted net assets.

Use of Estimates in the Preparation of Consolidated Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated 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 may, at times, include cash equivalents, which consist of highly liquid investments with original maturities of three months or less when acquired.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies and individuals and are unsecured. Accounts receivable are stated at the amount management expects to collect. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management provides for probable, uncollectible amounts through a charge to operations and a credit to a valuation allowance based on the assessment of the current status of individual balances. Management reviews all accounts receivable balances monthly and based on an assessment of creditworthiness, estimates the portion, if any, of the balances that will not be collected. The Organization considers all receivables past due over 90 days to be delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a decrease to accounts receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates as determined by management, applicable to the years in which the promises are received. Amortization of the discounts is included in contribution support. The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected.

Inventory

Inventory consists of food held for sale at Birt's Bistro and is carried at cost.

Investments

Investments, consisting primarily of equities and mutual funds with readily determinable market values are measured at fair value as of year-end in the consolidated statements of financial position. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) are recognized in the consolidated statements of activities and changes in net assets.

Property and Equipment

Purchased property and equipment are initially recorded at cost, and donated property and equipment are recorded at fair value at the date of the gift to the Organization. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Maintenance and repairs are charged to operations when incurred. Betterments and renewals in excess of $500 and leasehold improvements in excess of $1,000, are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization is provided using the straight-line method over the respective useful lives of the assets, which range from 3 to 40 years. Leasehold improvements are amortized over the shorter of the useful lives of the improvements or the lease terms.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at December 31, 2012 and 2011.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished or a donor removes a restriction), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Participant Fees

Participant fee revenues consist of government reimbursements at contracted rates and individual pay for the adult day care center program. Participant fees are recognized when services are provided and earned.

Donated Services and Material

Donated materials are recognized as contributions if the services (a) create or enhance non-financial assets; or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers to perform a variety of tasks that assist the Organization with specific programs. This support has not been recorded, as it does not meet the recognition criteria. However, the Organization has estimated the number of volunteer labor hours to be approximately 30,864 and 32,896 for the years ended December 31, 2012 and 2011, respectively, which include the day centers, home services, administrative, reception, social work and other programs.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense totaled $46,840 and $67,226 for the years ended December 31, 2012 and 2011, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses are charged to program services and management and general categories based on direct expenditures incurred. Expenditures not directly chargeable are generally allocated based on personnel activity.

Income Tax Status

Benevilla qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code (the Code), and accordingly, there is no provision for corporate income taxes in the accompanying consolidated financial statements. In addition, Benevilla qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

ICC Bistro and Catering, Inc. is taxed separately as a for-profit corporation at the Federal and State income tax rates. Deferred income taxes are provided on temporary differences between financial statement and income tax reporting. Temporary differences are differences between the amounts of assets and liabilities reported for financial statement purposes and their tax bases.

Deferred tax assets are recognized for temporary differences that will be deductible in future years' tax returns and for operating loss and tax credit carryforwards. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information.

Deferred tax assets are reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized. Deferred tax liabilities are recognized for temporary differences that will be taxable in future years.

ICC Child Care, LLC is a limited liability company incorporated in the State of Arizona which is a pass-through entity. All income or loss of this entity is reported at the Benevilla level.

The Federal and state income tax returns of the Organization for 2009, 2010, and 2011 are subject to examination by the Internal Revenue Service and state taxing authorities generally for three years after they were filed.

Reclassification

A reclassification has been made to a 2011 footnote to correspond to the 2012 consolidated financial statement presentation. Total net assets and changes in net assets for 2011 are unchanged as a result of the reclassification.

NOTE 2 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of:

	2012	2011
Participant fees	$ 221,277	$ 240,739
Other receivables	67,211	84,788
Total accounts receivable	288,488	325,527
Allowance for doubtful accounts	(3,180)	(9,376)
Accounts receivable, net	$ 285,308	$ 316,151

NOTE 3 – BEQUESTS RECEIVABLE

Bequests receivable are recorded net of a discount to reflect the present value of future cash flows and are expected to be collected as follows:

	2012	2011
Amounts expected to be collected in:		
Less than one year	$ 10,909	$ 17,289
One to five years	-	10,909
Less discount to present value (discount rate of 5.0%)	-	(9,244)
	$ 10,909	$ 18,954

These amounts are presented on the consolidated statements of financial position as follows:

	2012	2011
Current portion of bequests receivable	$ 10,909	$ 17,289
Long-term portion of bequests receivable	-	1,665
	$ 10,909	$ 18,954

In 2003, the Organization was named a 9% income beneficiary for a period of ten years in a certain trust estate. The estimated income earnings on this estate are included in bequests receivable. After the ten years, the Organization becomes a 20% beneficiary of the remaining principal. Five additional entities were named beneficiaries and, if any of these organizations become defunct or lose their tax-exempt status, each remaining organization will receive a larger proportionate share. The amount that the Organization will ultimately collect is unknown; therefore, no amounts related to this promise to give (principal portion) are included in bequests receivable at December 31, 2012 and 2011.

NOTE 3 – BEQUESTS RECEIVABLE (CONTINUED)

In 2011, the Organization was named the beneficiary in an individual's will. The Organization is expected to receive approximately $200,000 upon the death of the donor. This amount has not been reflected in the accompanying consolidated financial statements.

NOTE 4 – INVESTMENTS

Investments consist of the following:

	2012	2011
Equities	$ 791,128	$ 896,149
Bonds	2,313,257	2,116,909
Money market	60,950	266,139
Arizona Community Foundation	53,639	48,552
Total	$ 3,218,974	$ 3,327,749

Investment income, gains, and losses presented on the consolidated statements of activities and changes in net assets are comprised of the following components:

	2012	2011
Realized gain	$ 1,091	$ 41,022
Unrealized gain (loss)	93,234	(155,329)
Interest and dividend income	175,611	172,083
Total	$ 269,936	$ 57,776

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) *Accounting Standards Codification* (ASC) 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides 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 or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

The Organization's investments are held in funds with Chase Investment Services. The fair value on these investments held by the Organization is readily available and is based upon unadjusted quoted market prices. Equity securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy.

The Organization also invests in the Arizona Community Foundation, Inc. (ACF) Pool. The fair value of these investments is based on its investment percentage in the investment pool. The ACF Pool is invested in cash, bonds and other investments. This investment is classified within Level 3 of the valuation hierarchy.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2012 and 2011:

	2012 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Equities:				
U.S. large cap	$ 483,276	$ -	$ -	$ 483,276
U.S. mid cap	18,765	-	-	18,765
Non U.S. equities	289,087	-	-	289,087
Total equities	791,128	-	-	791,128
Bonds:				
U.S. corporate bonds	2,215,706	-	-	2,215,706
Government bonds	97,551	-	-	97,551
Total bonds	2,313,257	-	-	2,313,257
Arizona Community Foundation	-	-	53,639	53,639
Total assets at fair value	$ 3,104,385	$ -	$ 53,639	$ 3,158,024

	2011 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Equities:				
U.S. large cap	$ 465,990	$ -	$ -	$ 465,990
U.S. mid cap	61,318	-	-	61,318
Non U.S. equities	368,841	-	-	368,841
Total equities	896,149	-	-	896,149
Bonds:				
U.S. corporate bonds	1,995,505	-	-	1,995,505
Government bonds	121,404	-	-	121,404
Total bonds	2,116,909	-	-	2,116,909
Arizona Community Foundation	-	-	48,552	48,552
Total assets at fair value	$ 3,013,058	$ -	$ 48,552	$ 3,061,610

NOTE 5 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following is a reconciliation of the beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the years ended December 31, 2012 and 2011.

	2012	2011
Balance, beginning of year	$ 48,552	$ 51,548
Realized and unrealized gains (losses)	5,087	(2,996)
Balance, end of year	$ 53,639	$ 48,552

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2012	2011
Land	$ 844,343	$ 844,343
Buildings	7,816,566	7,824,232
Office equipment and furniture	835,401	824,742
Vehicles	280,651	280,508
Leasehold improvements	153,787	152,497
	9,930,748	9,926,322
Accumulated depreciation and amortization	(1,944,794)	(1,597,189)
Property and equipment, net	$ 7,985,954	$ 8,329,133

Depreciation and amortization expenses charged to operations were $350,035 and $375,926 for the years ended December 31, 2012 and 2011, respectively.

NOTE 7 – ASSETS RESTRICTED FOR CAPITAL CAMPAIGN

The Organization has a capital campaign to raise funds to secure full funding (pay principal on outstanding debt) for the new facility and to support delivery of services and programs. Assets attributable to investment for long-term purposes consist of unconditional promises to give.

NOTE 7 – ASSETS RESTRICTED FOR CAPITAL CAMPAIGN (CONTINUED)

Total unconditional promises to give consist of:

	2012	2011
Pledges receivable before unamortized discount and allowance for uncollectibles	$ 529,879	$ 512,000
Less unamortized discount	(38,448)	(25,529)
Less allowance for uncollectibles	-	-
Net pledges receivable	$ 491,431	$ 486,471
Gross amounts due in:		
Less than one year	$ 266,506	$ 339,458
One to five years	263,373	172,542
Total	$ 529,879	$ 512,000

The estimated cash flows for the pledges receivable are discounted over the collection period using a discount rate as determined by management of 6%.

The Organization solicited pledges from members of the Board of Directors, as well as selected individuals in the community. Pledges receivable from Board members amounted to $197,579 and $146,659 for the years ended December 31, 2012 and 2011, respectively.

NOTE 8 – LINE OF CREDIT

The Organization has available a $650,000 line of credit with a bank, bearing interest at prime plus 1.00% (4.25% at December 31, 2012 and 2011), which matures on July 30, 2013. The outstanding balance on the line of credit was $612,405 and $631,773 at December 31, 2012 and 2011, respectively. The line of credit is collateralized by land and a building. Under the terms of this line of credit agreement, the Organization is required to satisfy certain restrictive debt covenants. Management believes the Organization was in compliance with all covenants as of December 31, 2012. Management of the Organization expects to extend the maturity date of the line of credit beyond 2013.

NOTE 9 – NOTES PAYABLE

Notes payable consist of the following:

	2012	2011
Note payable to a board member in the amount of $100,000, semi annual interest only payments due, interest rate of 3%, balloon payment due March 2013, the note is unsecured.	$ 100,000	$ 100,000
Note payable to a board member in the amount of $200,000, semi-annual interest only payments due, interest rate of 3%, balloon payment due February 2016, the note is unsecured.	200,000	200,000
Note payable to an individual in the amount of $200,000, semi-annual interest only payments due, interest rate of 3%, balloon payment due March 2014, the note is unsecured.	200,000	200,000
	$ 500,000	$ 500,000

Future maturities of the notes payable are as follows:

2013	$ 100,000
2014	200,000
2015	-
2016	200,000
Total	500,000
Less current maturities	(100,000)
Long-term maturities	$ 400,000

NOTE 10 – LONG-TERM DEBT

The Organization has a note payable with National Bank of Arizona with an original amount of $3,000,000 and is payable in monthly installments of $12,628 including interest at 6%. This note matures in September 2014. This note is secured by a building. During 2012 and 2011 and subsequent to year end, the monthly installment amounts were reduced by the bank to reflect the advance pay downs on the principal balance. The note payable had a total outstanding balance of $933,044 and $1,862,719 at December 31, 2012 and 2011, respectively.

NOTE 10 – LONG-TERM DEBT (CONTINUED)

Future maturities of this note are as follows:

2013	$ 41,675
2014	891,369
Total	933,044
Less current maturities	(41,675)
Long-term maturities	$ 891,369

Under the terms of this debt agreement, the Organization is required to satisfy certain restrictive debt covenants. Management believes the Organization was in compliance with all covenants as of December 31, 2012.

NOTE 11 – CHARITABLE GIFT ANNUITIES

The Organization administers twelve charitable gift annuities. The assets contributed under the charitable gift annuities are carried at fair value and are included with investments. Contribution support is recognized at the date the annuities are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. Present values are calculated using discount rates determined at the time the annuities are established, which range from 7.3% to 11.3%, and actuarial table and guidelines are used for calculating the available deduction for income tax purposes. The liabilities are adjusted for the accretion of the discount and other changes in the estimates of future benefits. The present value of the estimated annuity payments associated with the gift annuities are as follows:

	2012	2011
Current portion of charitable gift annuities	$ 15,392	$ 22,817
Long-term portion of charitable gift annuities	76,606	74,094
	$ 91,988	$ 96,911

NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	2012	2011
Vehicles provided under Arizona Department of Transportation Elderly and Persons with Disabilities Grant	$ 19,544	$ 19,544
Capital Campaign (receivables and cash received to date)	660,276	530,707
Quality care services for developmentally disabled individuals	-	50,000
Cash available to assist employees with educational costs related to the organization	40,129	40,129
Helping Partners Vocational Program	80,000	-
Wirtzie's Childcare Center	25,000	-
Birt's Bistro Catering	22,755	-
Playground fencing	7,500	-
Interest on Bovard endowment	151,136	53,167
	$ 1,006,340	$ 693,547

Net assets of $655,366 and $713,383 were released from restriction during the years ended December 31, 2012 and 2011, respectively, related to the fulfillment of program and time restrictions.

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS

The Organization's endowments consist of several funds established to support a variety of charitable efforts of the Organization. Its endowments consist of donor-restricted funds where the principal is to be held in perpetuity. Investment income is restricted and is to be used to cover operating expenses of the Bovard building.

During 2011, the Organization contacted the Attorney General to grant permission to release old and small permanently restricted donor funds per state law. During the year ended December 31, 2011, $40,000 of donor funds were released from restriction and used for operations.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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. Consequently, the Organization classifies permanently restricted net assets as:

- The original value of gifts donated to the permanent endowment, and
- The original value of subsequent gifts to the permanent endowment.

BENEVILLA AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2012 and 2011

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

The remaining portion of the donor-restricted endowment funds not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization's Board. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose 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

Endowment Net Asset Composition by Type of Fund as of December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 58,381	$ 151,136	$ 2,747,104	$ 2,956,621

Changes in endowment net assets for the year ended December 31, 2012 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (20,213)	$ 53,167	$ 2,747,104	$ 2,780,058
Investment return:				
Investment income	-	97,969	-	97,969
Net appreciation	78,594	-	-	78,594
Total investment return	78,594	97,969	-	176,563
Contributions	-	-	-	-
Release of restrictions	-	-	-	-
Endowment net assets, end of year	$ 58,381	$ 151,136	$ 2,747,104	$ 2,956,621

NOTE 13 – PERMANENTLY RESTRICTED NET ASSETS (CONTINUED)

Endowment Net Asset Composition by Type of Fund as of December 31, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ (20,213)	$ 53,167	$ 2,747,104	$ 2,780,058

Changes in endowment net assets for the year ended December 31, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 124,081	$ 17,400	$ 2,593,846	$ 2,735,327
Investment return:				
Investment income	-	35,767	-	35,767
Net depreciation	(144,294)	-	-	(144,294)
Total investment return	(144,294)	35,767	-	(108,527)
Contributions	-	-	193,258	193,258
Release of restrictions	-	-	(40,000)	(40,000)
Endowment net assets, end of year	$ (20,213)	$ 53,167	$ 2,747,104	$ 2,780,058

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return ranging between 4% to 7% annually.

NOTE 14 – REVENUE AND RECEIVABLE CONCENTRATION

The Organization received approximately 13% of their revenue from one government funder during the year ended December 31, 2012. The Organization received approximately 11% of their revenue from one government funder during the year ended December 31, 2011.

Approximately 78% and 70% of the accounts receivable balance is due from three and two government funders as of December 31, 2012 and 2011, respectively.

Approximately 60% and 58% of the pledges receivable (assets restricted for capital campaign) balance is due from four and two donors as of December 31, 2012 and 2011, respectively.

NOTE 15 – DONATED FACILITIES

Amounts have been recorded for the use of facilities, which are used in the daily operating activities of the Organization. Facilities have been provided by St. Clement of Rome Catholic Church, First Baptist Church of Peoria, and Sun City West Foundation. Approximately $112,000 and $181,000 for 2012 and 2011, respectively, has been recorded in the consolidated statements of activities and changes in net assets related to the use of these facilities.

NOTE 16 – RETIREMENT PLAN

The Organization has a retirement plan that allows for employee contributions under Section 403(b) of the Internal Revenue Code (the Code). Eligible employees may elect to make contributions subject to the maximum amounts allowed by the Code. There were employer matching contributions of $21,131 and $45,009 for the years ended December 31, 2012 and 2011, respectively.

NOTE 17 – INCOME TAXES

A provision for federal and state income taxes has not been made in the accompanying consolidated financial statements as Birt's Bistro has incurred significant net operating losses since inception.

Birt's Bistro has recorded a 100% valuation allowance against its deferred tax asset (its net operating loss carryforward) due to the uncertainty as to whether Birt's Bistro will realize a substantial portion of the benefits of its deferred tax assets prior to their expiration. The valuation allowance against deferred tax assets increased by approximately $141,000 and $301,800 during 2012 and 2011, respectively, to fully offset the increase in net operating loss carryforwards.

NOTE 17 – INCOME TAXES (CONTINUED)

Birt's Bistro has federal and state net operating loss carryforwards of approximately $725,800 at December 31, 2012. The federal and state net operating losses begin to expire in various amounts starting in 2029 and 2014, respectively. Historical trends indicate that it is more likely than not that the deferred tax assets will not be realized. However, the amount of the deferred tax assets considered realizable could be increased if Birt's Bistro generates taxable income during the carryforward period.

Birt's Bistro files income tax returns in the U.S. federal jurisdiction and one state. Birt's Bistro is subject to U.S. Federal or state income tax examinations by tax authorities for all years since 2009.

NOTE 18 – CONCENTRATION OF CREDIT RISK

The Organization maintains all of its cash with high-credit quality financial institutions. Balances on deposit are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. At times throughout the year, the Organization may have cash balances that exceed the balance insured by the FDIC.

NOTE 19 – COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, the Organization's compliance with applicable grant or contract requirements may be determined at some future date. The amount, if any, of expenditures or fees for units of service, which may be disallowed by the granting or contracting agencies cannot be determined at this time, although the Organization's management expects such amounts, if any, to be immaterial.

NOTE 20 – SUBSEQUENT EVENTS

Management evaluated subsequent events through April 23, 2013, the date the consolidated financial statements were available to be issued. Events or transactions occurring after December 31, 2012, but prior to April 23, 2013, have been recognized in the consolidated financial statements for the year ended December 31, 2012. Events or transactions that provided evidence about conditions that did not exist at December 31, 2012, but arose before the consolidated financial statements were available to be issued have not been recognized in the consolidated financial statements for the year ended December 31, 2012.

SUPPLEMENTARY INFORMATION

BENEVILLA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

	Benevilla	Birt's Bistro	Eliminations	Total
CURRENT ASSETS				
Cash and cash equivalents	$ 328,160	$ 6,334	$ -	$ 334,494
Cash restricted for employee education	40,129	-	-	40,129
Accounts receivable, net of allowance	1,030,934	2,558	(748,184)	285,308
Bequests receivable	10,909	-	-	10,909
Inventory	-	11,010	-	11,010
Prepaid expenses	30,803	-	-	30,803
Total current assets	1,440,935	19,902	(748,184)	712,653
INVESTMENTS	3,218,974	-	-	3,218,974
PROPERTY HELD FOR SALE	11,377	-	-	11,377
PROPERTY AND EQUIPMENT, NET	7,970,126	15,828	-	7,985,954
ASSETS RESTRICTED FOR CAPITAL CAMPAIGN				
Cash	168,845	-	-	168,845
Pledges receivable, less unamortized discount	491,431	-	-	491,431
Total assets restricted for capital campaign	660,276	-	-	660,276
TOTAL ASSETS	$ 13,301,688	$ 35,730	$ (748,184)	$ 12,589,234

LIABILITIES AND NET ASSETS

	Benevilla	Birt's Bistro	Eliminations	Total
CURRENT LIABILITIES				
Accounts payable	$ 189,642	$ 754,577	$ (748,184)	$ 196,035
Accrued expenses	218,178	6,994	-	225,172
Line of credit	612,405	-	-	612,405
Current maturities of notes payable	100,000	-	-	100,000
Current maturities of long-term debt	41,675	-	-	41,675
Current maturities of charitable gift annunities	15,392	-	-	15,392
Total current liabilities	1,177,292	761,571	(748,184)	1,190,679
NOTES PAYABLE	400,000	-	-	400,000
LONG-TERM DEBT, less current maturities	891,369	-	-	891,369
CHARITABLE GIFT ANNUNITIES, less current maturities	76,606	-	-	76,606
Total liabilities	2,545,267	761,571	(748,184)	2,558,654
NET ASSETS				
Unrestricted	7,002,977	(725,841)	-	6,277,136
Temporarily restricted	1,006,340	-	-	1,006,340
Permanently restricted	2,747,104	-	-	2,747,104
Total net assets	10,756,421	(725,841)	-	10,030,580
TOTAL LIABILITIES AND NET ASSETS	$ 13,301,688	$ 35,730	$ (748,184)	$ 12,589,234

BENEVILLA AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year Ended December 31, 2012

	Benevilla	Birt's Bistro	Eliminations	Total
SUPPORT AND REVENUE				
Contributions	$ 1,764,751	$ -	$ -	$ 1,764,751
Participant fees	2,659,538	-	-	2,659,538
In-kind contributions	124,058	-	-	124,058
Grants	799,998	-	-	799,998
Interest and dividend income	175,611	-	-	175,611
Unrealized/realized gain	94,325	-	-	94,325
Change in value on gift annuities	4,913	-	-	4,913
Food sales	-	805,837	-	805,837
Loss on disposal of assets	(500)	-	-	(500)
Other income	66,472	6,353	-	72,825
Total support and revenue	5,689,166	812,190	-	6,501,356
EXPENSES				
Program Services				
Day Care	1,980,103	-	-	1,980,103
Family resource center	219,222	-	-	219,222
Lifeline	75,589	-	-	75,589
Home services	95,957	-	-	95,957
Intake	97,722	-	-	97,722
Transporation	322,623	-	-	322,623
Volunteer recruitment and training	61,752	-	-	61,752
Child care center	651,563	-	-	651,563
Food services	104	906,462	-	906,566
Total program services	3,504,635	906,462	-	4,411,097
Supporting Services				
Management and general	939,904	47,134	-	987,038
Facilities maintenance	44,251	-	-	44,251
Marketing	74,478	-	-	74,478
Fundraising	438,272	-	-	438,272
Total supporting services	1,496,905	47,134	-	1,544,039
Total expenses	5,001,540	953,596	-	5,955,136
CHANGES IN NET ASSETS	687,626	(141,406)	-	546,220
NET ASSETS (DEFICIT), BEGINNING OF YEAR	10,068,795	(584,435)	-	9,484,360
NET ASSETS (DEFICIT), END OF YEAR	$10,756,421	$ (725,841)	$ -	$10,030,580

ATTACHMENT D

OTHER PROGRAM FUNDING SOURCES

Funder	Amount	Award Date
Bank of America Foundation	$15,000	10/31/13
Thunderbirds Charities	$25,000	5/22/13
West Valley Lutheran Thrift Shop	$ 5,000	3/18/13
Sun City Rotary Foundation	$ 5,000	7/23/13

JAN 2 2 2014

SURPRISE
ARIZONA

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Purchasing Division,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Central Arizona Shelter Services, Inc. (CASS)
Contact Person:	Linda L. Snidecor
Contact Person Title:	Grants Manager
Mailing Address:	230 South 12th Avenue Phoenix, Arizona 85007
Street Address *(if different from mailing)*:	
Phone:	602-256-6945 (x1024)
Fax:	602-256-6401
E-mail:	Lsnidecor@cassaz.org
Website URL *(if applicable)*:	www.cassaz.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- X Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies	X		

Fair Housing Policies	X		
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	**Regional Emergency Shelter for Single Adults and Families with Children**

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☐ Recreation programs
- ☐ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- ☐ Services for senior citizens
- X Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:______________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

Emergency shelter for the homeless is a critical need in Maricopa County. According to homeless counts performed with the 2013 HUD Continuum of Care process, there were an estimated 5,889 homeless individuals and family members in shelters and on the streets in Maricopa County on 1/29/13. Surprise did not participate in the count last January. However, CASS serves an average of 30 unduplicated homeless from the City of Surprise each year.

Large numbers of homeless individuals and families continue due to co-occurring factors that began in 2008 and continued through 2013, including losses in state funding for social programs that once helped the working poor stay housed and offset low incomes. These losses can have a snowball effect, as many run through their savings after a job loss and struggle to make ends meet. A lack of family, friends, or other support systems further impacts those struggling to stay housed, find jobs, and address medical needs. Homeless families face even greater challenges than do single adults and helping them to regain their independence requires programs and services that not only meet their immediate needs, but also empower them to permanently end their homelessness. Many families go through months of living with family or friends, or living in their cars before they arrive at Vista Colina, further adding to the family's traumatic experience and prolonging any medical or dental needs their children may have.

At the same time, Maricopa County continues to suffer from a shortage of available emergency shelter beds, particularly for single adults. According to the HUD count, there were over 1,500 unsheltered homeless individuals on the streets on the night of the count. CASS provides more than 66% of single adult beds in the County.

In addition, CASS' 110 beds for women continue to be the only non-domestic violence emergency beds in Maricopa County with accompanying supportive services. During our last completed fiscal year (June 30, 2013) 36% of women at CASS reported they had been victims of domestic violence in the past, 14% stating the incident occurred within past 3 months. In fiscal year 12/13, the Single Adult Shelter served a total of 889 unduplicated women.

CASS shelters over 460 homeless single adults each night in its Single Adult Shelter. Single adults still account for the largest percentage of the homeless population and we continue to see numerous "first time homeless" clients; 41% of all single adults at CASS last fiscal year.

The most basic form of shelter simply provides the homeless with a safe place to sleep, food, and hygiene. Only a handful of shelters, like CASS, are stepping beyond simply providing basic needs by engaging the homeless in a full range of supportive services to address the individual factors that may be contributing to their homelessness. Understanding the needs and issues surrounding this population, we also ensure client, staff and volunteer safety through 24/7 security personnel, metal detectors, campus security, fully gated facilities, single point of entry access, identification cards, staff access only areas, etc. CASS also works with outreach teams to locate homeless individuals from across the county. CASS also participates in the coordinated intake process, which is key to serving the Valley's homeless individuals and families in the most expedited manner, and CASS has been at the table since the beginning. CASS also participates in other Valley-wide outreach efforts through Project Homeless Connect, attends monthly meetings with other homeless providers to discuss data sharing, affordable housing options, and new research and study results, and communicates regularly with other shelters and transitional housing programs.

While emergency shelter is core to stabilizing individuals so they can then begin to focus on dealing with the issues that led to their homelessness, our supportive services put them on the path toward self-sufficiency. CASS provides the critical first step in ending homelessness - meeting basic needs so it becomes possible for individuals and families to progress to the next phase in ending their homelessness (securing income and appropriate housing). Funding support from cities and towns allows us to help nearly 7,000 unduplicated homeless each year.

Living unsheltered on the streets is extremely dangerous and dramatically increases risks for injury, illness and death due to violence, poor nutrition and hygiene, and hard physical conditions. Cities that do not have shelter facilities for their homeless appreciate the regional services CASS provides for their residents. CASS is currently the largest provider of emergency shelter for single adults and the second largest provider of emergency shelter for families in Maricopa County.

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

While CASS' facilities are located within the City of Phoenix (230 South 12th Avenue and 1050 West Mountain View Road), our shelters are regional providers for the homeless - clients come from all cities and towns throughout Maricopa County. The Single Adult Shelter provides (110 beds for women and 350 beds for men, and the Family Shelter (Vista Colina) houses up to 36 families with children each night. CASS also operates an overflow shelter for single adult men with indoor and outdoor shelter areas. This shelter, the Men's Overflow Shelter (MOS), is adjacent to the Single Adult Shelter. Our request for support is limited to the Single Adult Shelter and Family Shelter, and does not include costs to provide other supportive services to help clients permanently end their homelessness (Case Management, Employment Services,

Housing Services, Veterans Services, Childcare, and Dental). However, these services are available to all clients, regardless of whether or not funding is received from a client's city or town of origin. Shelter is also provided to anyone presenting themselves as homelessness, regardless of city or town of origin. CASS uses the Homeless Management Information System to track clients and services provided. Upon initial intake, clients are asked to provide their previous address information. This information is tracked in HMIS with other demographic information that allows us to track trends and needs. During our last fiscal year (July 1, 2012 through June 30, 2013) 14 homeless single adults and 13 family members from Surprise were provided with shelter and supportive services. In addition, CASS' Men's Overflow Shelter served an additional 13 homeless men; 11 of them transferred to the Single Adult Shelter once a bed became available. CASS' Single Adult Shelter physical layout offers clients an opportunity to increase their level of comfort and privacy while they are sheltered and working toward their case plan goals. As they achieve their goals, comply with facility rules, and/or secure employment, new areas of the shelter become available to them (i.e. Working Men's Dorm). This incentive has worked very well with clients over the years. In addition, the shelter's co-location on the Human Services Campus works to reduce physical barriers to addressing their needs. CASS' family shelter, Vista Colina, provides individual apartments for up to 36 homeless families. Homeless families with children have their own unique challenges, including enrolling their children in school, attending to their children's ongoing or periodic medical and dental needs, ensuring their children are cared for while they are looking for employment and housing, providing them with nutritional meals, establishing regular routines and family time, etc. Vista Colina provides the following supportive services for parents and children: Case Management, Employment Services, Housing Services, Developmental Childcare, an Afterschool Program, Parenting Classes, Support Groups, etc.
Targeted demographic population of the city: Homeless single adults and families with children. "Homeless" is a generic term that only specifies the individual or family's housing status. While shelter resolves the immediate housing need, there are numerous underlying issues that cause homelessness – CASS' supportive programs address these underlying issues. The crises or situations most commonly associated with homelessness are unemployment, lack of transportation, low levels of education or job skills, no or low income and lack of affordable housing. Many homeless are dealing with one or more of these issues, and unfortunately, many of them have even deeper barriers that threaten self-sufficiency and housing stability.

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding:

CASS' mission is empower men, women, and children to end their homelessness by providing shelter and supportive services. This is achieved through first providing safe shelter, and then helping clients address the issue(s) that led to their homelessness, helping them secure income through benefits or employment, and helping them obtain appropriate housing.

For purposes of this request, in FY 14/15:

CASS will provide 1,260 nights of emergency shelter for 30 unduplicated homeless men, women, and children from Surprise.

In addition, while Surprise funding is not being requested to provide supportive services, these services are critical to helping clients permanently end their homelessness. Once clients are stabilized, they can start to address the barriers and issues that led to their homelessness. CASS provides Case Management, Employment Services, Housing Services, Childcare (preschool and afterschool), Veterans Services, and Dental Services. All clients have access to these services, regardless of whether or not their city of origin contributes funding. CASS leverages support received from each community with other government funding, United Way funding, fees for services (dental), private contributions, etc. As a regional provider, leveraged support is essential to ensuring the long term viability of essential services for the each community's homeless. Surprise provides the funding needed to stabilize clients so they can move to the next phase in ending their homelessness.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

CASS programs comply with the CDBG National Objective of benefiting low-and moderate-income persons. The Request for Grant Application for CDBG-Funded Public Service Activities includes Services for Homeless Persons as one of Surprise's targeted public service activities. This program serves primarily low to moderate income persons, including homeless persons from the City of Surprise (zip codes: 85374; 85378; 85379; 85387; and, 85388). CASS serves an average of 30 men, women, and children from Surprise each year.

CASS served three (3) families and fourteen (14) single adults from the City of Surprise during 2013. All clients are asked to provide previous address information upon their initial meeting with a Case Manager. All documentation is kept in client case files. Demographic information and services provided for each client/family is entered into the Homeless Management Information System.

<u>Characteristics of the three families served in 2013 include the following:</u>

Single mother households: 2
Total number of children: 9
Children aged 5 and younger: 4
Total number of family members served: 13

Gender
3 males
10 females

Lack of financial resources and eviction were cited as the primary reason for their homelessness.

Education level (highest level achieved by parent)
GED: 2
Post-secondary degree: 2

Disabilities
None cited

Characteristics of the fourteen single adults served in 2013 include the following:

Gender
11 males
3 females

Age
18-30: 5
31-50: 8
51-60: 1
Two clients sited eviction as the primary reason for their homelessness; three cited lack of financial resources/loss of job as the reason; four cited overcrowding/family dispute; one cited domestic violence; one cited substance abuse; and, three did not disclose.

Education level (highest level achieved)
9th grade: 1
11th grade: 1
12th grade/no diploma: 1
High school diploma: 4
Post-secondary degree: 3
Unknown: 4

Disabilities
Alcohol abuse: 2
Hearing impaired: 1
Mental health problem: 2
Physical disability: 3
Learning disability: 1

Unengaged and/or unaddressed homelessness has a significant impact on both the homeless individual or family (physical and behavioral health), and on the community (impacts on police, fire and safety services). Cost studies conducted through Maricopa County, including a study by the Morrison Institute, "Richard's Reality: The Costs of Chronic Homelessness in Context" have shown that health care, emergency services, and policing costs in dealing with unengaged homeless individuals far exceed the cost of shelter and services. Homeless individuals living on the street are more likely to suffer from many types of health issues, especially those related to exposure, violence, poor nutrition and hygiene, and many health conditions can become acute due to homelessness. CASS allows police and emergency response units, hospitals, jails, social service providers and government offices in Surprise to refer homeless clients to CASS at great savings to the taxpayers.

Based upon Surprise utilization figures and fiscal year ended June 30, 2013 financials, the cost per night of shelter was $21.96 in FY12/13. Using the unit cost per night of shelter and the average length of stay (42 nights), if the city were to operate a shelter large enough to accommodate only the Surprise individuals and families, it would cost $27,675. This includes basic shelter only, and does not include the other costs associated with supportive services (Case Management, Employment Services, Housing Services, Childcare, Veterans Services, and Dental).

We are requesting $8,000 to provide 1,260 nights of shelter to 30 unduplicated homeless clients from Surprise. This equates to $6.35 per night of shelter as the total cost to Surprise. CASS leverages the additional $15.61 needed to provide shelter for Surprise clients.

Leveraging funding to provide regional shelter is just one of the ways CASS is using resources wisely. Other initiatives include participation in community-wide initiatives to end homelessness, sharing resources and training activities with other human services agencies, and expanding partnerships with cities and towns to provide outreach, homeless engagement, and rapid re-housing services for their homeless, engaging community volunteers, being good donor stewards, and collaborating to avoid service duplication.

CASS avoids service duplication by working with on-site collaborative partners co-located with the Single Adult Shelter on the Human Services Campus. These include: health care (Maricopa County Healthcare for the Homeless Clinic, ASU School of Nursing), substance abuse treatment (Community Bridges), legal assistance (ASU's Homeless Legal Assistance Project), food (St. Vincent de Paul, Andre House, the Desert Mission Food Bank, and the St. Mary's/Westside Food Bank Alliance), post corrections services (AZ Department of Corrections, Maricopa County Adult Probation), benefits (the Veteran's and Social Security Administrations), and behavioral health services (Magellan and Southwest Behavioral Health).

Vista Colina also collaborates with an array of community partners to avoid service duplication. Through its partnership with Midwestern University, parents have access to many on-site classes, including Women's Support Groups, Life Skills (stress management, budgeting, goal setting), Choices Parenting, Guiding Good Choices, Couples Support Groups, and Smoking Cessation. Vista Colina also collaborates with nearly 40 other community partners to provide art, music and pet therapy, recreational opportunities, exercise programs, educational and training programs, holiday and birthday events, haircuts, and developmental and health screenings for the entire family.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

CASS has been providing emergency shelter and developing additional programs and services to serve the homeless population in the Valley of the Sun for nearly 30 years. In partnering with Surprise, CASS shares this experience and knowledge to develop proven strategies and solutions to address the unique homeless issues in the Surprise community.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	Yes	No	NA
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)
Basic shelter is currently supported by the cities of Avondale, Gilbert, Glendale, Goodyear, Mesa, Peoria, Phoenix, and Scottsdale. CASS also receives funding support to operate basic shelter from Valley of the Sun United Way, Maricopa County, the State of Arizona, and individual donors. A support letter from the United Way is attached. The letter documents the full amount of funding received from the United Way, of which $350,000 is allocated to basic shelter for individuals and families. Other United Way funding is allocated toward Case Management, Employment Services, and Childcare Programs.

CASS receives CDBG funding to support basic shelter for their residents from the following cities: Gilbert, Glendale, Peoria, and Tempe.

Program Team:
Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

Staff Member	Background and Expertise of Personnel
Name: Title: Shelter Manager FTE on This Project: 1	Oversee the Shelter Department by establishing a long-term vision and training department leadership to ensure quality client care, financial viability, excellent customer service, and a safe and clean environment.
Name: Title: Assistant Shelter Manager FTE on This Project: 1	Provide proactive support to Shelter Manager in managing the family shelter and its related programs, policies, procedures, staff, clients and role in achieving the agency mission.
Name: Title: Client Care Coordinator Lead FTE on This Project: 3	Maintain a safe, orderly, and humane shelter environment while assisting clients with their daily needs.
Name: Title: Client Care Coordinator FTE on This Project: 19	Maintain a safe, orderly, and humane shelter environment while assisting clients with their daily needs.
Name: Title: Family Shelter Manager FTE on This Project: 1	Oversee the Family Shelter by establishing a long-term vision and training department leadership to ensure quality client care, financial viability, excellent customer service, and a safe and clean environment.
Name: Title: Family Care Coordinator FTE on This Project: 7	Maintain a safe, stable and supportive family shelter environment while assisting clients with their daily needs.

Project Cost

Estimated Total Cost of Project:	$ 4,752,700		
CDBG Funding Amount Requested for Project:	$ 8,000		
Total Number of Units Served:	4,400 total; 30 from Surprise		
Total Cost per Unit	$ 21.96		
Total CDBG Cost per Unit	$ 6.35		
Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	**Source**	**Year**	**Amount**
	Valley of the Sun United Way	14/15	$ 350,000
	Government funding	14/15	$2,689,000

	Contributions/Donations	14/15	$ 273,700
	In-Kind	14/15	$1,440,000

Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	CASS has served as a regional shelter for the Valley's homeless for nearly 30 years. Major sources of support include government funding through grants and contracts and United Way support. A support letter from the United Way is attached to this application. CASS also receives foundation and corporate funding and individual donations. As a regional provider of shelter and supportive services, CASS relies on a wide range of supporters to continue serving the Valley's homeless. CASS has an active fund development department and an engaged staff (both leadership and program staff) who secure new partnerships with local foundations, corporations, and other human service providers throughout Maricopa County. In addition, through a very successful volunteer program, CASS is able to increase awareness about homelessness in Maricopa County and benefits from over 2,000 volunteers annually. CASS is hopeful Surprise will join in our efforts to ensure the Valley's homeless, including those from Surprise, will continue to be safe and cared for. CASS leverages the funding provided by cities and towns to sustain programs and services.
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes

Project Timeline

Project start date: Ongoing **Project completion date:** n/a

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	**1st Quarter**			**2nd Quarter**			**3rd Quarter**			**4th Quarter**		
	(each box represents one month)											
Provide shelter for homeless men, women and children from Maricopa County, including the City of Surprise	X	X	X	X	X	X	X	X	X	X	X	X

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Salaries	$8,000	Government funding, Valley of the Sun United Way, Contributions	$728,500	$736,500
Employee Benefits and Taxes		Government funding, Valley of the Sun United Way, Contributions	$211,000	$211,000
Professional Fees and Contracts		Government funding, Valley of the Sun United Way, Contributions	$700,000	$700,000
Supplies/Equipment Rental and Maintenance		Government funding, Valley of the Sun United Way, Contributions	$64,800	$64,800
Occupancy (rent, utilities, building & grounds)		Government funding, Valley of the Sun United Way, Contributions	$620,300	$620,300
Travel/Meetings/ Conferences		Government funding, Valley of the Sun United Way, Contributions	$14,700	$14,700
In-Kind Expense		Government funding, Valley of the Sun United Way, Contributions	$1,440,000	$1,440,000
Membership Dues		Government funding, Valley of the Sun United Way, Contributions	$2,300	$2,300
Specific Assistance to Individuals		Government funding, Valley of the Sun United	$23,200	$23,200

		Way, Contributions		
Equipment, Repairs & Maintenance		Government funding, Valley of the Sun United Way, Contributions	$515,000	$515,000
Other Expenses (Operating Services, Admin. Expense Allocation, Miscellaneous)		Government funding, Valley of the Sun United Way, Contributions	$424,900	$424,900
Total	$8,000	Government funding, Valley of the Sun United Way, Contributions	$4,744,700	$4,752,700

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.
- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).
- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.
- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

Signature of authorized agency representative

1/14/14
Date:

Mark Holleran
Printed name

Chief Executive Officer
Title

Central Arizona Shelter Services (CASS)
Organization

Valley of the Sun
United Way

January 9, 20114

City of Surprise
Planning and Zoning Commission
Attn: Alicia Rubio, Neighborhood Services Coordinator
16000 N. Civic Center Plaza
Surprise, AZ 85374

To whom it may concern:

Valley of the Sun United Way (VSUW) offers our support to Central Arizona Shelter Services, Inc. (CASS) in their request for support through the CDBG Public Service Funds.

Central Arizona Shelter Services, Inc. (CASS) is a VSUW Partner in good standing and an important partner in the the regional plan to end homelessness. Through the funding application, the agency has demonstrated measurable results with the programs we fund. CASS is also in full compliance with VSUW policies and procedures.

VSUW has allocated $702,978 to shelter and services for Individuals and Families in CASS programs for Fiscal Year 2013/2014. These programs include the critical services offered to homeless veterans.

I am honored to submit this letter on their behalf.

Sincerely,

Kim Van Nimwegen
Community Impact Manager

cc: Mark Holleran

1515 E. Osborn Road Phoenix, AZ 85014-5386 tel 602.631.4800 fax 602.631-4809 www.vsuw.org

IRS Department of the Treasury Internal Revenue Service
P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248467584
Feb. 05, 2013 LTR 4168C E0
86-0500753 000000 00
00015020
BODC: TE

CENTRAL ARIZONA SHELTER SERVICES
INC
230 S 12TH AVE
PHOENIX AZ 85007-3101

011726

Employer Identification Number: 86-0500753
Person to Contact: Mrs. Scheper
Toll Free Telephone Number: 1-877-829-5500

Dear Taxpayer:

This is in response to your Jan. 25, 2013, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in October 1985.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

Central Arizona Shelter Services, Inc.

Financial Statements,
Independent Auditors' Report and
Single Audit Reporting Package

June 30, 2012 and 2011

REDW LLC
CPAs | Business & Financial Advisors

Central Arizona Shelter Services, Inc.

Table of Contents

REDW LLC
CPAs | Business & Financial Advisors
INTEGRITY COUNTS®

Independent Auditors' Report

Board of Directors
Central Arizona Shelter Services, Inc.
Phoenix, Arizona

We have audited the accompanying statements of financial position of Central Arizona Shelter Services, Inc. (a nonprofit organization) as of June 30, 2012, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Central Arizona Shelter Services, Inc. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of June 30, 2011, were audited by Miller, Allen & Company, who merged with REDWLLC as of November 1, 2012, and whose report dated February 22, 2012, expressed an unqualified opinion on those statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Arizona Shelter Services, Inc. as of June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of Central Arizona Shelter Services, Inc.'s internal control over financial reporting and 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* and should be considered in assessing the results of our audit.

ALBUQUERQUE
7425 Jefferson St NE, Albuquerque, NM 87109
P: 505.998.3200 F: 505.998.3333

redw.com

PHOENIX
5353 N 16th St, Suite 200, Phoenix, AZ 85016
P: 602.730.3600 F: 602.730.3699

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

REDW LLC

Phoenix, Arizona
March 29, 2013

Financial Statements

Central Arizona Shelter Services, Inc.

Statements of Financial Position

June 30, 2012 and 2011

	2012	2011
Assets		
Current assets		
Cash		
Undesignated	$ 91,550	$ 84,903
Designated for operating reserve	300,000	300,000
Total cash	391,550	384,903
Contracts receivable	777,723	455,250
Receivable from related parties	230,472	261,676
Receivable from United Way	702,978	696,622
Prepaid expenses	23,884	82,752
Investment in related party	1,486,707	1,567,736
Property and equipment, net	295,959	252,135
Other assets	9,855	11,033
Total assets	$ 3,919,128	$ 3,712,107
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 160,429	$ 141,486
Payable to related parties	-	5,724
Accrued payroll	74,340	45,873
Accrued vacation	146,534	117,217
Line of credit agreement	120,000	100,000
Note payable	-	7,407
Total liabilities	501,303	417,707
Net assets		
Unrestricted		
Board designated for operating reserves	300,000	300,000
Undesignated	993,990	618,622
Total unrestricted net assets	1,293,990	918,622
Temporarily restricted	1,116,067	1,368,264
Permanently restricted net assets	1,007,768	1,007,514
Total net assets	3,417,825	3,294,400
Total liabilities and net assets	$ 3,919,128	$ 3,712,107

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

Statements of Activities

Central Arizona Shelter Services, Inc.

Statements of Activities

For the Year Ended June 30, 2012 and 2011

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and Other Support				
Grants and contracts				
Governmental	$ 4,608,195	$ -	$ -	$ 4,608,195
Private	-	-	-	-
Contributions				-
In-kind	2,338,387	-	-	2,338,387
Private	1,197,317	715,478	-	1,912,795
Interest income	711	-	-	711
Management fees	66,000	-	-	66,000
Dental fees	281,157	-	-	281,157
Other revenues	54,535	-	-	54,535
Total support and revenues before special events	8,546,302	715,478	-	9,261,780
Special events				
Revenues from special events	43,440	-	-	43,440
Less costs of direct donor benefits	(1,968)	-	-	(1,968)
Gross profit on special events	41,472	-	-	41,472
Net assets released from restrictions	816,106	(816,106)	-	-
Total support and revenues	9,403,880	(100,628)	-	9,303,252
Expenses				
Program services				
Shelter for single adults	2,778,450	-	-	2,778,450
Shelter and case management for families	954,063	-	-	954,063
Case management for single adults	374,113	-	-	374,113
Child care center	359,990	-	-	359,990
Employment services	160,799	-	-	160,799
Men's outreach shelter	705,926	-	-	705,926
Dental clinic	2,163,105	-	-	2,163,105
Volunteer services	56,435	-	-	56,435
Veteran's services	377,787	-	-	377,787
Fundraising and development	322,038	-	-	322,038
Management and general	846,092	-	-	846,092
Total expenses	9,098,798	-	-	9,098,798
Operating income (loss)	305,082	(100,628)	-	204,454
Net investment gains (losses) from investment interest in Campus of Human Services, LLC	70,286	(151,569)	254	(81,029)
Change in net assets	375,368	(252,197)	254	123,425
Net assets, beginning of year	918,622	1,368,264	1,007,514	3,294,400
Net assets, end of year	$ 1,293,990	$ 1,116,067	$ 1,007,768	$ 3,417,825

2011			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 4,256,878	$ -	$ -	$ 4,256,878
258,644	-	-	258,644
			-
2,299,008	-	-	2,299,008
1,073,230	796,164	-	1,869,394
3,217	-	-	3,217
60,000	-	-	60,000
115,873			115,873
20,489	-	-	20,489
8,087,339	796,164	-	8,883,503
56,696	-	-	56,696
(11,199)	-	-	(11,199)
45,497	-	-	45,497
822,194	(822,194)	-	-
8,955,030	(26,030)	-	8,929,000
2,813,677	-	-	2,813,677
952,155	-	-	952,155
404,398	-	-	404,398
371,505	-	-	371,505
300,885	-	-	300,885
832,438	-	-	832,438
1,896,091	-	-	1,896,091
74,374	-	-	74,374
353,681	-	-	353,681
292,787	-	-	292,787
891,169	-	-	891,169
9,183,160	-	-	9,183,160
(228,130)	(26,030)	-	(254,160)
53,045	512,415	13,627	579,087
(175,085)	486,385	13,627	324,927
1,093,707	881,879	993,887	2,969,473
$ 918,622	$ 1,368,264	$ 1,007,514	$ 3,294,400

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

Statement of Functional Expenses
For the Year Ended June 30, 2012

Central Arizona Shelter Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program				
	Shelter for Single Adults	Shelter and Case Management for Families	Case Management for Single Adults	Child Care Center	Employment Services
Personnel Costs					
Salaries	$ 646,698	$ 334,061	$ 207,952	$ 189,495	$ 105,493
Employee benefits	113,333	64,795	27,952	27,417	20,793
Payroll taxes	58,968	28,038	17,656	17,337	8,547
Total personnel costs	818,999	426,894	253,560	234,249	134,833
Professional and outside services	389,294	17,304	10,355	15,804	2,702
Travel	6,624	2,676	690	3,782	3,094
Occupancy	255,938	245,411	11,683	27,515	7,598
Equipment	6,332	15,006	2,957	2,516	2,537
Program materials and supplies	104,449	22,662	6,592	13,257	1,137
Other	31,196	22,768	8,491	10,566	6,381
Total expenses before depreciation and amortization, in-kind and overhead allocation expenses	1,612,832	752,721	294,328	307,689	158,282
Depreciation and amortization	19,676	12,259	357	1,113	2,517
In-kind	1,145,942	189,083	79,428	51,188	-
Total expenses before overhead allocation	2,778,450	954,063	374,113	359,990	160,799
Overhead allocation	229,062	104,604	41,047	44,164	23,515
Total expenses	$ 3,007,512	$ 1,058,667	$ 415,160	$ 404,154	$ 184,314

Services					Supporting Services		
Men's Outreach Shelter	Dental Clinic	Volunteer Services	Veteran's Services	Total	Fundraising and Development	Management and General	Total
$ 112,405	$ 739,027	$ 37,711	$ 206,560	$ 2,579,402	$ 179,605	$ 438,702	$ 3,197,709
13,601	85,756	13,100	20,780	387,527	22,443	54,766	464,736
9,018	59,102	2,704	18,349	219,719	14,544	35,409	269,672
135,024	883,885	53,515	245,689	3,186,648	216,592	528,877	3,932,117
491,248	165,732	146	46,992	1,139,577	11,855	99,445	1,250,877
176	9,864	492	2,244	29,642	4,702	12,731	47,075
46,690	22,899	198	56,757	674,689	5,280	38,522	718,491
11	59,468	71	426	89,324	213	23,228	112,765
16,535	150,800	948	15,933	332,313	33,555	12,470	378,338
3,900	33,651	1,065	6,606	124,624	24,661	59,354	208,639
693,584	1,326,299	56,435	374,647	5,576,817	296,858	774,627	6,648,302
12,342	48,247	-	3,140	99,651	2,452	10,006	112,109
-	788,559	-	-	2,254,200	22,728	61,459	2,338,387
705,926	2,163,105	56,435	377,787	7,930,668	322,038	846,092	9,098,798
95,213	191,800	7,868	-	737,273	41,130	(778,403)	-
$ 801,139	$ 2,354,905	$ 64,303	$ 377,787	$ 8,667,941	$ 363,168	$ 67,689	$ 9,098,798

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

Statement of Functional Expenses
For the Year Ended June 30, 2011

Central Arizona Shelter Services, Inc.

Statement of Functional Expenses
For the Year Ended June 30, 2011

	Program				
	Shelter for Single Adults	Shelter and Case Management for Families	Case Management for Single Adults	Child Care Center	Employment Services
Personnel Costs					
Salaries	$ 748,568	$ 335,188	$ 219,783	$ 200,261	$ 175,616
Employee benefits	128,187	89,376	38,414	36,201	29,267
Payroll taxes	63,709	27,456	18,336	17,075	15,094
Total personnel costs	940,464	452,020	276,533	253,537	219,977
Professional and outside services	292,902	7,972	223	7,916	11,970
Travel	14,156	2,276	730	3,600	12,752
Occupancy	266,215	253,872	24,048	33,264	17,174
Equipment	4,518	9,904	3,801	2,240	2,815
Program materials and supplies	129,253	35,288	8,232	17,263	12,876
Other	33,295	21,925	11,045	9,465	22,972
Total expenses before depreciation and amortization, in-kind and overhead allocation expenses	1,680,803	783,257	324,612	327,285	300,536
Depreciation and amortization	27,190	7,179	358	3,791	349
In-kind	1,105,684	161,719	79,428	40,429	-
Total expenses before overhead allocation	2,813,677	952,155	404,398	371,505	300,885
Overhead allocation	230,723	111,674	45,969	45,679	41,509
Total expenses	$ 3,044,400	$ 1,063,829	$ 450,367	$ 417,184	$ 342,394

Services					Supporting Services		
Men's Outreach Shelter	Dental Clinic	Volunteer Services	Veteran's Services	Total	Fundraising and Development	Management and General	Total
$ 262,143	$ 560,130	$ 50,235	$ 205,685	$ 2,757,609	$ 141,587	$ 459,576	$ 3,358,772
25,900	62,225	17,305	29,450	456,325	15,400	77,937	549,662
22,120	45,219	3,653	17,358	230,020	11,133	33,395	274,548
310,163	667,574	71,193	252,493	3,443,954	168,120	570,908	4,182,982
410,630	104,054	-	31,243	866,910	18,635	133,517	1,019,062
1,358	14,351	476	2,135	51,834	4,463	9,931	66,228
74,764	26,671	169	30,967	727,144	6,594	20,859	754,597
7	5,316	672	10,080	39,353	227	10,405	49,985
18,412	182,369	949	15,787	420,429	46,912	15,015	482,356
5,699	38,087	915	7,836	151,239	23,810	54,913	229,962
821,033	1,038,422	74,374	350,541	5,700,863	268,761	815,548	6,785,172
11,405	40,601	-	3,140	94,013	1,298	3,669	98,980
-	817,068	-	-	2,204,328	22,728	71,952	2,299,008
832,438	1,896,091	74,374	353,681	7,999,204	292,787	891,169	9,183,160
115,365	157,113	9,675	-	757,707	33,336	(791,043)	-
$ 947,803	$ 2,053,204	$ 84,049	$ 353,681	$ 8,756,911	$ 326,123	$ 100,126	$ 9,183,160

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

Central Arizona Shelter Services, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities		
Change in net assets	$ 123,425	$ 324,927
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation and amortization	112,109	98,980
Net investment loss from investment interest in Campus of Human Services, LLC	81,029	(579,087)
Changes in operating assets and liabilities		
Increase (Decrease) in		
Contracts receivable	(322,473)	159,215
Receivable from related parties	31,204	(154,341)
United Way receivable	(6,356)	7,037
Prepaid expenses	58,868	(52,789)
Other assets	1,178	(2,016)
Increase (decrease) in		
Accounts payable	18,943	6,867
Payable to related parties	(5,724)	(1,957)
Accrued payroll	28,467	(34,848)
Accrued vacation	29,317	(3,145)
Net cash provided (used) by operating activities	149,987	(231,157)
Cash flows from investing activities		
Sale of investments	-	122,527
Purchases of property and equipment	(155,933)	(146,306)
Net Cash provided by (used for) investing activities	(155,933)	(23,779)
Cash flows from financing activities		
Net draws and payments on line of credit agreement	20,000	100,000
Principal payments on note payable	(7,407)	(6,349)
Net cash provided by (used for) financing activities	12,593	93,651
Net change in cash	6,647	(161,285)
Cash, beginning of year	384,903	546,188
Cash, end of year	$ 391,550	$ 384,903
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 13,415	$ 2,554

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

Central Arizona Shelter Services, Inc.

Notes to Financial Statements
For the Years Ended June 30, 2012 and 2011

1) Organization Operations and Summary of Significant Accounting Policies

Organization Operations
Central Arizona Shelter Services, Inc. (the "Organization") is incorporated in the state of Arizona as a nonprofit corporation. The Organization empowers homeless men, women, and children in Maricopa County, Arizona with diverse needs to end their homelessness by providing shelter and supportive services.

The Organization's Emergency Shelter Program includes a 400-bed facility for single adults and the Vista Colina Emergency Family Shelter, a 30-unit apartment complex for homeless families with children. The Men's Outreach Shelter provides nightly shelter to an additional 300 men in response to community demand that exceeds capacity of the Organization's Emergency Shelter Program.

Case Management assists clients by connecting them with local services for healthcare, housing, education, counseling, benefits and various supportive services. Job Development Services, the Organization's on-site employment service for clients, offers skills assessment, job readiness training, job placement, and job development. Vista Colina Family Services includes developmental childcare for preschool children, an after-school program for older children, and substance abuse counseling for parents and children. The Dental Clinic is located at the Organization's main shelter facility and provides the only comprehensive dental program for the homeless in Maricopa County.

The accounting policies of the Organization conform to U.S. generally accepted accounting principles as applicable to nonprofit organizations. The more significant accounting policies of the Organization are summarized below.

Basis of Presentation
The accompanying financial statements are presented in accordance with FASB ASC 958-205, *Presentation of Financial Statements.* Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Management's Use of Estimates
The preparation of 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 support and revenues and expenses during the period. Actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the contribution is made, is shown as additions to unrestricted net assets.

Cash

Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with an original maturity of ninety days or less. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC).

Contracts Receivable

Contracts receivable are stated at the amount management expects to collect under the terms of the respective contract agreements. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on the assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to contracts receivable. Management considered contracts receivable at June 30, 2012 and 2011, to be fully collectible and, accordingly, an allowance for doubtful accounts is not deemed necessary. Contracts receivable consists primarily of amounts due from governmental agencies and, accordingly, credit risk is limited.

Property and Equipment and Related Depreciation and Amortization

Purchased property and equipment is stated at cost and donated property and equipment is recorded at fair value at the date of gift to the Organization. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment betterments above a certain threshold are capitalized. For 2011 the threshold amount was $1,000. In 2012, management voluntarily increased the threshold level from $1,000 to $5,000. The change was made to reduce administrative costs associated with tracking the assets and to present more meaningful information to the users of the financial statements. Management has removed all existing fixed assets that no longer qualify under the new threshold. Management has evaluated this change in accounting policy and determined that the change in accounting policy does not have a material effect on the financial statements and does not require retrospective application.

When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation and amortization accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization of property and equipment is computed on a straight-line basis over the following estimated useful lives:

Leasehold improvements	10 years
Program equipment	3-5 years
Computer equipment	3-5 years
Vehicles	5-7 years
Office equipment	5-7 years
Equipment held under capital leases	5-7 years

Donations of property and equipment are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted contributions. Absent donor stipulations regarding how long donated assets must be maintained, the Organization reports expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Impairment of Long-Lived Assets

The Organization accounts for long-lived assets in accordance with FASB ASC 360, *Property, Plant, and Equipment.* FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or change in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded in fiscal year 2012 or 2011.

Donated Materials and Services

Donated services are recognized in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. The Organization utilizes the services of volunteers, including dental services, to perform a variety of tasks that assist the Organization with specific programs and fundraising campaigns. Other than donated dental services, this support has not been recorded as it does not meet the recognition criteria of FASB ASC 958-605.

The Organization received the following donated materials and services of the years ended June 30:

Donation Description	Used for	2012	2011
Food	Program	$ 646,654	$ 568,536
Dental Services	Program	737,925	776,664
Rent	Various	953,808	953,808
Total		$ 2,338,387	$ 2,299,008

Revenue Recognition
The Organization recognizes amounts received from grants and contracts as earned when services are rendered under a unit of service contract. Grant funds received in advance of services provided are classified as deferred revenue. Funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grant or contract. Management and dental fee income is recognized as services are provided and in accordance with service agreements.

Special Events Revenue
The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying statements of activities.

Functional Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on direct costs charged to the function.

Performance Indicator
The statements of activities include the performance indicator operating income (loss). Changes in net assets that are excluded from operating income (loss) include unrealized gains (losses) on investments, which is consistent with industry practice.

Reclassification
Certain amounts in the prior year data have been reclassified so as to be consistent with the current year presentation. The reclassifications had no effect on the change in net assets for the year ended June 30, 2011.

Income Tax Status
The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (IRC) and, accordingly, there is no provision for income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b) (1) (A) of the IRC and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

FASB ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken in an organization's tax return. The Organization believes that they have appropriate support for tax positions taken and, as such, do not have any uncertain tax positions that could result in a material impact on the financial position of the Organization or changes in its net assets.

Fair Value of Financial Instruments
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.

Subsequent Events
The Organization has evaluated subsequent events through March 29, 2013, the date the financial statements were available to be issued.

2) Contracts Receivable

At June 30, 2012 and 2011, contracts receivable consisted of the following:

	2012	2011
Federal, state, and local governments	$ 763,309	$ 442,326
Other	14,414	12,924
Total	$ 777,723	$ 455,250

3) Property and Equipment

At June 30, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Leasehold improvements	$ 196,321	$ 180,921
Program equipment	749,348	643,375
Computer equipment	202,230	193,690
Vehicles	146,920	120,901
Office equipment	33,215	33,215
Total cost or donated value	1,328,034	1,172,102
Accumulated depreciation and amortization	(1,032,075)	(919,967)
Property and equipment, net	$ 295,959	$ 252,135

Depreciation and amortization expense charged to operations totaled $112,109 and $98,980 for fiscal years 2012 and 2011, respectively.

4) Revolving Lines of Credit

In fiscal years 2012 and 2011, the Organization had a $525,000 secured line of credit agreement with a bank. Interest payments were due from the date of each advance until repayment of each advance at prime plus 2.25%. The Organization drew down $1,320,000 and $690,000 of the line of credit during fiscal years 2012 and 2011, respectively. The Organization repaid $1,300,000 and $590,000 in 2012 and 2011, respectively. The line of credit was secured by all of the Organization's real and personal property. In October 2012, the line of credit was renewed with a maturity date of October 15, 2013.

5) Retirement Plan

The Organization participates in a 403(b) retirement plan (tax deferred annuity) for its employees. The Organization makes its employees aware of the plan, withholds voluntary contributions from paychecks and remits the contributions to an independent trustee. Participants may contribute their eligible compensation on a pretax basis to the plan up to a maximum allowed by the Internal Revenue Code. Matching contributions were made by the Organization at up to 4% of participants' total salaries for fiscal year 2012 and 2011. The Organization's matching contributions were $38,365 and $49,786 for 2012 and 2011, respectively.

6) Board Designated Net Assets

The Board of Directors of the Organization has designated $300,000 of unrestricted net assets for an operating reserve as of June 30, 2012 and 2011.

7) Temporarily Restricted Net Assets

At June 30, 2012 and 2011, temporarily restricted net assets are available for the following purposes or periods:

	2012	2011
For subsequent year's activities		
United Way	**$ 702,978**	$ 696,622
City of Glendale	**12,500**	-
Purchase of food for the homeless	**31,931**	51,873
Dental services to uninsured children	**-**	99,542
Investment interest in Campus of Human Services, LLC's temporarily restricted net assets	**368,658**	520,227
Total temporarily restricted net assets	**$ 1,116,067**	$ 1,368,264

8) Permanently Restricted Net Assets

Permanently restricted net assets at June 30, 2012 and 2011, consist of the Organization's investment interest in the Campus of Human Services, LLC's endowment fund.

9) Related Party Transactions

Arizona Housing Inc. (AHI) is a separate nonprofit organization that was established to provide permanent, affordable, supportive housing for low-income, homeless individuals and families. No more than 49% of AHI's board members are appointed by the Organization's board.

The Organization provides accounting services to AHI. For each of the fiscal years 2012 and 2011, the Organization charged AHI $24,000 for these services. Also, the Organization pays expenses on behalf of AHI and is subsequently reimbursed by AHI. The total expenses paid on behalf of AHI during fiscal year 2012 and 2011 were $199,030 and $190,192, respectively.

In addition, during 2012 and 2011 the Organization rented an apartment complex from AHI under a yearly lease that expired in June 2012. The Organization was charged $178,260 in rent for each of the years ended June 30, 2012 and 2011, respectively. The lease agreement has been renewed through June 2013. In the normal course of business, operating leases are generally renewed or replaced by other leases.

At June 30, 2012 and 2011, the net amounts outstanding under these arrangements and included in the accompanying statements of financial position as receivable from related parties are $230,472 and $261,676, respectively.

10) Commitments

During 2004, the Organization entered into an Operating Agreement and became a member of Campus of Human Services, LLC (the "Campus"), formerly known as The Human Services Campus, LLC. The Campus represents a partnership between non-profit and governmental organizations to deliver high quality human services and provide leadership to break the cycle of homelessness.

At June 30, 2012 and 2011, the members of Campus of Human Services, LLC and their interests were as follows:

Central Arizona Shelter Services, Inc. (CASS)	50%
The Diocesan Council of the Society of St. Vincent De Paul, Diocese of Phoenix	50%

All members of the Campus are also managers. Healthcare for the Homeless, as appointed by the Maricopa County Board of Supervisors, and St. Joseph the Worker Jobs Services, Inc., are also managers of the Campus, but are not members. Each of the original three members contributed initial capital contributions of $1,000 in November 2003. Effective April 30, 2008, NOVA Safe Haven voluntarily withdrew as a member, but continues to serve as a manager. In accordance with the Articles of Organization/ Operating Agreement, NOVA Safe Haven was required to forfeit its initial $1,000 capital contribution, as well as its interest in the cumulative excess of revenue over expenses.

The Organization made an initial capital contribution of $1,000 to the Campus in 2004. The Organization's investment in the Campus is accounted for using the equity method of accounting. Additional capital contributions may be required to fund operations in future years. The carrying value of the Organization's investment in the Campus was $1,486,707 and $1,567,736 at June 30, 2012 and 2011, respectively.

The Organization occupies a portion of the campus facility which is an eleven acre property with three buildings providing over 154,000 square feet of space for shelter and supportive services. The Campus manages the campus facility.

Accordingly, the Organization pays certain assessment fees to the Campus. The Organization was charged assessment fees of $40,000 for each the years ended June 30, 2012 and 2011.

The Organization provides certain administrative services to the campus facility. Management and accounting fees of $42,000 and $36,000 were charged to the campus facility during fiscal year 2012 and 2011, respectively, for these services. In addition, the Organization, as a member of the Campus, may advance monies to the Campus in order to fund operations.

At June 30, 2012 and 2011, the net amounts outstanding under these arrangements and included in the accompanying statements of financial position as payable to related parties are $0 and $5,724, respectively.

13) Fair Value Measurements

The Organization 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 Organization's investments in certificates of deposit, at June 30, 2011, are classified as level 2. At June 30, 2012, the Organization did not have any investments that were required to be valued at fair value.

14) Concentrations of Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash deposits in banks and financial institutions and contributions receivable.

Cash deposits and certificate of deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) are exposed to loss in the event of nonperformance by the financial institutions. The Organization does not anticipate nonperformance by the financial institutions. At June 30, 2012 and 2011, and at times during the years then ended, the Organization may have had cash deposits and securities in excess of the FDIC insurance coverage.

With respect to contributions receivable, credit risk is limited due to the receipt of prior contributions from these donors and their standing in the community.

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Directors
Central Arizona Shelter Services, Inc.
Phoenix, Arizona

We have audited the financial statements of Central Arizona Shelter Services, Inc. as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013. 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.

Internal Control Over Financial Reporting
Management of Central Arizona Shelter Services, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Central Arizona Shelter Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Arizona Shelter Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Central Arizona Shelter Services, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

ALBUQUERQUE
7425 Jefferson St NE, Albuquerque, NM 87109
P: 505 998 3200 F: 505 998 3333

redw.com

PHOENIX
5353 N 16th St, Suite 200, Phoenix, AZ 85016
P: 602 730 3600 F: 602 730 3699

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Arizona Shelter Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies, and pass-through entities and it is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

Phoenix, Arizona
March 29, 2013

REDW LLC
CPAs | Business & Financial Advisors

INTEGRITY COUNTS®

Independent Auditors' Report on Compliance With Requirements That Could Have A Direct and Material Effect On Each Major Program, and on Internal Control Over Compliance in Accordance With OMB Circular A-133

The Board of Directors
Central Arizona Shelter Services, Inc.

Compliance

We have audited Central Arizona Shelter Services, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Central Arizona Shelter Services, Inc.'s major federal programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Central Arizona Shelter Services, Inc.'s management. Our responsibility is to express an opinion on Central Arizona Shelter Services, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Central Arizona Shelter Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Central Arizona Shelter Services, Inc.'s compliance with those requirements.

In our opinion, Central Arizona Shelter Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

ALBUQUERQUE
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P 505 998 3200 F 505 998 3333

redw.com

PHOENIX
5353 N 16th St, Suite 200, Phoenix, AZ 85016
P 602 730 3600 F 602 730 3699

Internal Control Over Compliance
Management of Central Arizona Shelter Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Central Arizona Shelter Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Central Arizona Shelter Services, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

REDW LLC

Phoenix, Arizona
March 29, 2013

Central Arizona Shelter Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Funding Source/Grant/Contract Title	Federal CFDA Number	Pass-Through Entity or Other Identifying Number	Expenditures
U.S. Department of Agriculture			
Passed through Arizona Department of Education			
Child and Adult Care Food Program	10.558	CACFP-07-22-77	$ 24,059
U.S. Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants, passed through the			
City of Chandler	14.218	None	23,818
City of Tempe	14.218	None	80,000
City of Glendale	14.218	None	28,124
Emergency Shelter Grants Program, passed through the			
Arizona Department of Economic Security	14.231	E6309992-02	281,614
City of Glendale	14.231	None	32,789
Total U.S. Department of Housing and Urban Development			446,345
U.S. Department of Transportation			
Passed through City of Phoenix			
Job Access - Reverse Commute	20.516	AZ-37-X011	24,263
Department of Veterans Affairs			
VA Homeless Providers Grant and Per Diem Program	64.024	None	389,299
U.S. Department of Energy			
Passed through the State of Arizona Department of Commerce			
ARRA - State Energy Program	81.041	DE-EE0000106	34,600
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families, passed through the			
Arizona Department of Economic Security	93.558	E6309992-04	15,958
Arizona Department of Economic Security	93.558	E6309992-05	180,890
Arizona Department of Economic Security	93.558	E6309992-12	21,572
Child Care and Development Block Grant, passed through the			
Arizona Department of Economic Security	93.575	DES060007-001	79,800
Social Services Block Grant, passed through the			
Arizona Department of Economic Security	93.667	E6309992-06	11,822
Arizona Department of Economic Security	93.667	E6309992-07	35,464
Arizona Department of Economic Security	93.667	E6309992-08	102,718
Arizona Department of Economic Security	93.667	E6309992-09	119,766
Total U.S. Department of Health and Human Services			567,990
Corporation for National and Community Service			
AmeriCorps, passed through			
Arizona Board of Regents	94.006	11-524	900
Arizona Board of Regents	94.006	12-777	2,000
Arizona Board of Regents	94.006	12-778	2,000
Arizona Board of Regents	94.006	12-779	2,000
Arizona Board of Regents	94.006	12-780	2,000
Arizona Board of Regents	94.006	12-782	2,000
Total Corporation for National and Community Service			10,900
U.S. Department of Homeland Security			
Emergency Food and Shelter National Board Program	97.024	None	74,000
Total expenditures of federal awards			$ 1,571,456

See accompanying notes to Schedule of Expenditures of Federal Awards.

Central Arizona Shelter Services, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

1) General and Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Central Arizona Shelter Services, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2) Catalog of Federal Domestic Assistance (CFDA) Numbers

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2012 *Catalog of Federal Domestic Assistance*.

Central Arizona Shelter Services, Inc.
Summary of Auditors' Results
For the Year Ended June 30, 2012

Section I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.231	Emergency Shelter Grant Programs
93.558	Temporary Assistance for Needy Families
93.667	Social Services Block Grant

Central Arizona Shelter Services, Inc.
Summary of Auditors' Results
For the Year Ended June 30, 2012

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	Yes

Other Matters

Auditee's Summary Schedule of Prior Audit Findings required to be reported in accordance with Circular A-133 (section .315[b])?	No

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Neighborhood Services,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Gotta Run
Contact Person:	William Siewertsen
Contact Person Title:	Co-President
Mailing Address:	15733 W. Yucatan Dr. Surprise AZ 85379
Street Address *(if different from mailing)*:	N/A
Phone:	480-253-8002
Fax:	N/A
E-mail:	gottarunarizona@gmail.com
Website URL *(if applicable)*:	www.gottarunarizona.com

Legal Status of Applicant:

- State-Certified CHDO
- Non-Profit (non-CHDO)
- Public Housing Authority
- State Agency
- Local Government
- Tribal Government
- Council of Government
- General Partnership
- Limited Partnership
- Limited Liability Company
- Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies			X
Fair Housing Policies			X
Equal Employment Opportunity Employer			X

Project Description

Proposed Project Title: Track Accessibility Funding

Check applicable priority area(s) that the project addresses:

Child care	Services for senior citizens
Health care	Services for homeless persons
Job training	Drug abuse counseling and treatment
Recreation programs	Energy conservation counseling and testing
Education programs	Homebuyer down-payment assistance
Public safety services	Welfare (as defined by CDBG)
Fair housing activities	Other

If Other, describe Other:_________________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

See Attachment #1

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

The track assigned for our use by the Dysart Unified School District is Valley Vista High School.

Targeted demographic population of the city:

We are targeting those in the city who desire to lead an active lifestyle but cannot our present dues of $50.00 per year or the recreation department fee of $20.00 for 12 weeks.

Attachment #1

We are a newly formed local running club based in Surprise with 60+ members. The club was formed to provide a safe and structured environment for local runners of all abilities to meet weekly and lead an active lifestyle. We have found that people are more apt to workout if they are in a group setting.

Currently we lead a stair workout on Monday nights at the Surprise parking garage. We also run a track workout on Wednesday nights. The workout is broken down by abilities and each group has very strong leaders.

We were charging $50.00 per member per year to cover the track rental fee and Road Runners Club of America (RRCA) insurance and dues. Recently, we have partnered with the City of Surprise Recreation Department to offer a 12 week program to help people prepare to run/walk a 5k. We were approached by them because they feel, as we do, that there is a need for this opportunity in Surprise. The recreation department will pay for the track usage fee for the 12 weeks that the program is running. Their fee is $20.00 for 12 weeks of which $2.50 will go to Gotta Run as we will be paying the RRCA insurance and dues.

While we welcome the recreation departments help, we feel that their fee may be too high for many people to afford. It is our intent to offer this public service for free and our hope is to be able to get funding on a yearly basis.

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding: If funding is received, we will be able to provide free membership to those who wish to participate in our weekly fitness programs for as long as the funding is available.
It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives: funding will allow us to provide a public service activity for free as long as funding is available on a yearly basis.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

The running club was formed in October 2013 and has presently 61 paid yearly members. The Officers of the club come from diverse back grounds and all have extensive running Knowledge that is passed along to members.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	**Yes**	**No**	**NA**
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?			X
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?			X
Was the audit performed by a licensed Certified Public Accountant?		X	
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?			X

Please Provide Other Funding Source References: (Please attach extra sheets if needed)

The only funding presently is dues paid by members.

Attachment #2

Gotta Run Financials for period 10/30/13 to 1/15/14

Income

61 members @ $50.00 each	$3050.00
Total Income	$3050.00

Expenses

RRCA dues for 2013	$332.55
RRCA dues for 2014	$517.62
Track Rental Fees	$280.00
Banking Fees (checks)	$32.33
Total Expenses	$1162.50

Program Team: Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.	
Staff Member	**Background and Expertise of Personnel**
Name: Bill Siewertsen Title: Co-President FTE on This Project:	
Name: Jeff Blevins Title: Co-President FTE on This Project:	
Name: Michelle Taylor Title: Vice President FTE on This Project:	
Name: Jennifer Dancer Title: Treasurer FTE on This Project:	
Name: Jessica Guijarro Title: Secretary FTE on This Project:	
Name: Title: FTE on This Project:	
Name: Title: FTE on This Project:	
Name: Title: FTE on This Project:	

Project Cost

Estimated Total Cost of Project:	$ 2350.00
CDBG Funding Amount Requested for Project:	$ 2350.00
Total Number of Units Served:	N/A
Total Cost per Unit	$ N/A
Total CDBG Cost per Unit	$ N/A

Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	Source	Year	Amount
	N/A		

Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	Dues per member will be collected to pay for expenses.
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes, the dues will be adjusted based on how much funding is received.

Project Timeline

Project start date: ________________ **Project completion date:** ________________

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	(each box represents one month)											
This programs run 52 weeks a year and there is no starting or ending date.												

Proposed Budget				
Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Track rental 52 weeks	$ 1820.00	N/A	$ N/A	$ 1820.00
RRCA dues + Insurance	520.00	N/A	N/A	520.00
Total	$ 2340.00	N/A	$ N/A	$ 2340.00

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.
- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).
- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.
- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

[signature] 1-21-14

Signature of authorized agency representative Date:

William R Sievertsen

Printed name

Co - President

Title

Gotta Run

Organization

RRCA
ROAD RUNNERS CLUB OF AMERICA

ROAD RUNNERS CLUB OF AMERICA

1501 Lee Hwy, Ste 140
Arlington, VA 22209
703.525.3890
703.525.3891 (fax)

October 21, 2013

To Whom It May Concern:

Gotta Run, EIN 46-3861739, is a 501(c)3 organization through the Road Runners Club of America group exemption status with the IRS. Below are two important excerpts from the http://www.irs.gov/pub/irs-pdf/p4573.pdf that clearly outlines the procedure for group exemption letters and verifying subordinate organizations under the group exemption ruling:

1. **What is a group exemption letter**? The IRS sometimes recognizes a group of organizations as tax exempt if they are affiliated with a central organization. This avoids the need for each of the organizations to apply for the exemption individually. A group exemption letter has the same effect as an individual exemption letter except that it applies to more than one organization.

   Please see the accompanying copy of the RRCA's group exemption letter from the IRS.

2. **How do I verify that an organization is included as a subordinate in a group exemption ruling?** The central organization that holds a group exemption (rather than the IRS) determines which organizations are included as subordinates under its group exemption ruling. Therefore, you can verify that an organization is a subordinate under a group exemption ruling by consulting the official subordinate listing approved by the central organization or by contacting the central organization directly. You may use either method to verify that an organization is a subordinate under a group exemption ruling.

This letter is to serve as official verification as outlined by the IRS that the organization referenced above is a nonprofit organization under the RRCA's group exemption (Group Exemption #2702) with the IRS.

If you need further information to verify the status, please feel free to contact me.

Sincerely,

Jean Knaack

Executive Director

IRS DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
CINCINNATI OH 45999-0023

Date of this notice: 10-11-2013

Employer Identification Number:
46-3861739

Form: SS-4

Number of this notice: CP 575 E

For assistance you may call us at:
1-800-829-4933

IF YOU WRITE, ATTACH THE
STUB AT THE END OF THIS NOTICE.

GOTTA RUN
15733 W YUCATAN DR
SURPRISE, AZ 85379

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER

Thank you for applying for an Employer Identification Number (EIN). We assigned you EIN 46-3861739. This EIN will identify you, your business accounts, tax returns, and documents, even if you have no employees. Please keep this notice in your permanent records.

When filing tax documents, payments, and related correspondence, it's very important that you use your EIN along with your complete name and address exactly as shown above. Any variation may cause a delay in processing, result in incorrect information in your account, or even cause you to be assigned more than one EIN. If the information shown above isn't correct, please send us the correction using the attached tear-off stub.

Annual filing requirements

Most organizations with an EIN have an annual filing requirement, even if they engage in minimal or no activity.

A. If you are tax exempt, you may be required to file one of the following returns or notices:

Form 990, Return of Organization Exempt From Income Tax
Form 990-EZ, Short Form Return of Organization Exempt From Income Tax
Form 990-PF, Return of Private Foundation
Form 990-N, e-Postcard (available online only)

Additionally, you may be required to file your annual return electronically.

If an organization required to file a Form 990, Form 990-PF, Form 990-EZ, or Form 990-N does not do so for three consecutive years, its tax-exempt status is automatically revoked as of the due date of the third return or notice.

Please refer to www.irs.gov/990filing for the most current information on your filing requirements.

B. If you are not tax-exempt, you may be required to file one of the following returns:

Form 1120, U.S. Corporation Income Tax Return
Form 1041, U.S. Income Tax Return for Estates and Trusts
Form 1065, U.S. Return of Partnership Income

Please refer to Publication 1635, Understanding Your EIN, for more information about which forms you may be required to file.

SURPRISE
ARIZONA

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT
NEIGHBORHOOD SERVICES
16000 North Civic Center Plaza
Surprise, Arizona 85374
Ph: 623.222.1550
Fax: 623.222.3001
TTY: 623.222.1002

REQUEST FOR APPLICATION FOR CDBG-FUNDED PUBLIC SERVICE ACTIVITIES

The City of Surprise, Neighborhood Services Division of the Community and Economic Development Department, is soliciting applications from qualified non-profit organizations interested in providing services that address one or more of the public service needs targeted in the city's CDBG program.

SCOPE OF WORK:
Under this program, CDBG funds may be used to provide public services (including labor, supplies, materials and other costs), provided the public service is:

- A new service; or
- A quantifiable increase in the level of a service

Targeted public service activities include, but are not limited to:

- Child care
- Health care
- Job training
- Recreation programs
- Education programs
- Public safety services
- Fair housing activities
- Services for senior citizens
- Services for homeless persons
- Drug abuse counseling and treatment
- Energy conservation counseling and testing
- Homebuyer down-payment assistance
- Welfare (as defined by CDBG)

The completed application must address one or more of the targeted public service needs listed above and must serve primarily low to moderate income persons in City of Surprise.

Funding Allocation:
Maximum funding available for any one organization is 15% of the annual CDBG allocation for the program year. The City of Surprise expects to receive $512,000 in CDBG funding for the 2014-2015 Fiscal Year, so the amount allocated to Public Service Activities would be approximately $102,000.

The selection process of applications for funding will be based upon an evaluation of the organizational capacity as well as written information provided in comparison to the needs outlined in the city's 5 year Consolidated Plan and Action Plans.

This solicitation is offered in accordance with federal and state requirements governing procurement of professional services. Accordingly, City of Surprise reserves the right to negotiate an agreement based on fair and reasonable compensation for the scope of work and services proposed, as well as the right to reject any and all responses that no application received is either feasible, meets a local need, or serves eligible or intended beneficiaries.

Funding Timeline:
Application funding recommendations made by the CDBG Commission will be forwarded to the City Council for approval as part of the Annual Action Plan process. This process is finalized by May 15th every year with the submittal of the Action Plan to HUD. Once HUD approves the plan and funds are released, a funding agreement will be signed between Surprise and the sub-recipient. Funding agreements will have an implementation timeline of 12 months from date of contract.

Reporting:
Agreements will include monthly reporting requirements, a minimum of one site visit every six months, and a process that will discuss the possible cancellation of the contract should Surprise judges the sub-recipient does not have the capacity to meet the implementation timeline and is not demonstrating compliance with contractual obligations in a timely manner.

Contractual Requirements:
Each grantee selected to receive funds is required to sign a contract with the city. No costs incurred prior to the execution of an agreement with the city are reimbursable. Under CDBG laws and regulations, certain requirements must be met in order to negotiate an agreement. These requirements include the following:

1. Applicants must demonstrate that they are a nonprofit organization or a governmental agency.
2. After an application is approved for funding, a contract will be prepared and sent by the city to the identified by the applicant as the authorized official for signature. The contract will specify the amount of the award, the period for which the project is approved, the contract term and administrative provisions. Special conditions attached to the award will also be specified in the agreement. Grantees will be required to submit and file monthly reports on expenditures, performance progress and objectives.
3. Each agency receiving CDBG funding from the City is required to certify that it will conduct its business in compliance with the non-discrimination requirements of the City, State and Federal governments, as applicable. Equal Opportunity in Employment policies will be required.

4. In the event of non-compliance, the agreement may be terminated or suspended in whole or in part.
5. All recipients will be required to comply with the federal government's audit requirements as described in OMB Circular A-133 (for HUD's programs, these requirements are codified at 24 CFR Part 84.) All recipients must have an annual audit.

Availability of Funds for Next Fiscal Year:
If funds are not allocated and available for the continuance of this contract, this contract may be terminated by the city at the end of the period for which funds are available. There is no implicit or explicit guarantee funding will be renewed. No liability shall accrue to the City of Surprise in the event this provision is exercised, and City of Surprise shall not be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

Evaluation:
The staff will evaluate applications and recommend those for an award based on the following criteria:

• Program Design and Community Impact	50 Points
• Experience and Capacity	35 Points
• Leveraging	10 Points
• References	5 Points

APPLICATION GUIDELINES:
Application Checklist:

One (1) original completed Application (form attached), and three (3) additional copies

Proposed Project Budget (form attached)

Proof of IRS 501(c)3 status (if applicable)

Other Funding Source References

Copy of Most Recent Financial Audit

Certifications signed by authorized official (form attached)

Contact Information:

For application assistance, please call:
Alicia Rubio
Neighborhood Service Coordinator
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374
623-222-3238 Ph
623-222-1002 TDD
623-222-3001 Fax

All applications must be postmarked no later than Thursday, January 23, 2014 or received no later than 2 PM on Thursday, January 23, 2014.

Applicants are strongly encouraged to attend the City of Surprise Planning and Zoning (P & Z) Commission Public Hearing held at 6pm in the City Hall Council Chambers, Thursday, February 6, 2014. At the meeting, each organization will be allotted 5 minutes to present to the P & Z Commission about your organization's submitted application.

All original applications will be date stamped. Late submissions will not be accepted.

Persons with disabilities may request reasonable accommodation. Requests should be made as early as possible to allow time to arrange the accommodations.

Submission Requirements:

- One (1) original and three (3) copies of the completed application packet, four copies total
- 8 ½ X 11 page format
- Bound in a 3 ring binder
- Single-sided only
- Please reference all additional "Attachments" in the application wherever applicable

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Neighborhood Services,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Paradise Honors High School
Contact Person:	Jeremy Sahd
Contact Person Title:	Athletic Director
Mailing Address:	12775 N 175 Ave Surprise, AZ 85388
Street Address *(if different from mailing)*:	
Phone:	623-455-7414
Fax:	623-975-4380
E-mail:	jsahd@paradiseschools.org
Website URL *(if applicable)*:	www.paradiseschools.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- ☑ Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☑ Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies	x		
Fair Housing Policies			x

Equal Employment Opportunity Employer	x		

Project Description

Proposed Project Title:	P.R.E.P

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☑ Recreation programs
- ☑ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- ☐ Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:________________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

- With a high number of children and teenagers in Surprise that have moderate to severe Disabilities and other Special Needs, we at Paradise Honors High School would like to charter our facilities that would provide a variety sports/recreational and educational programs available that can positively impact children and teenagers with these Disabilities and Special Needs. Here is list of activities that we would offer our facilities for:

- Drug Prevention
- Diet/Nutrition Awareness
- Basketball
- Volleyball
- Badminton
- Indoor/Outdoor Soccer
- Wrestling
- Cross fit
- Wheelchair Basketball/Rugby/Ping-Pong
- Team Handball
- Flag Football
- Soccer
- Lacrosse
- Ultimate Frisbee
- Softball
- Baseball
- Kickball

- Pickle ball
- Dodge ball
- Capture the Flag

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

All sports and activities will take place at Paradise Honors High School (**12775 N. 175 Ave. Surprise, AZ 85388)**. Here is leverage that we can offer:

- Full size gym
- 6 basketball hoops that have height adjustment
- Volleyball Set
- Retractable bleachers, which can hold 400+.
- Concession Room
- Restrooms
- Boys/Girls Locker Rooms
- Storage Rooms
- Trainer's Room
- Weight Room
    - 4 Squat Racks
    - 3 Power Platforms
    - Dumbbells
- Full Size football/Soccer Field
- Soccer goals
- Softball Field
- Parking
- Outdoor Restrooms
- Trashcans

Targeted demographic population of the city:

- P.R.E.P. will be open to various age ranges. We would provide different sports and activities depending on the age and the severity of the disability.

Age Range- 6-21

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding:

"Disabled children are equally entitled to an exciting and brilliant future. We must see to it that we remove the obstacles ... whether they stem from poor access to facilities; poor education; lack of transport; lack of funding; or unavailability of equipment such as children's wheelchairs. Only then will the rights of the disabled to equal opportunities become a reality. " -- Nelson Mandela at the opening of the first annual South African Junior Wheelchair Sports Camp in Johannesburg, December 1995

With over 500 kids between the ages of 6 and 21 that have moderate to severe special needs and disabilities in Surprise alone, we feel at Paradise Honors High School it is imperative to provide opportunities that will leave lasting impressions. The majority of our sports/recreational and educational programs can encompass 25-30 kids per class and with over 130 classes that we will be offering, we hope that we can reach out to all corners of Surprise.

Low self-esteem and a lack of confidence can plague children with disabilities. Allowing them to have equal access to sports can enhance their gross motor skills, social and communicating abilities, as well as improve their overall health and well-being. Children with special needs will mature physically, socially and emotionally when participating in recreational activities. Here is list of our Proposed Measurable Outcomes that youth with disabilities will benefit from when engaging in physical activity:

Gross Motor Skills- When disabled children participate in regular physical activity, it enhances their motor skills by increasing their strength, coordination, flexibility and balance.

Communicating and Socializing- Participation in extracurricular activities can overcome this obstacle, providing them with the ability to engage in social interactions, develop friendships and initiate social skills.

Self-esteem and Academics- Recreational participation promotes self-concept, self-esteem and self-worth, as well as their body awareness. Many children will also show improvements in their academics. The confidence that is gained from the ability to attain success in sports will make them feel like they are capable of achieving almost anything.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

Under the Priorities Needs Analysis (91.215 (a)) it clearly states that a high priority for the City's Consolidated Plan is to fund activities for a five year strategic plan. (91.215 (a)) also states under the Identified Feasible Priorities Based on Survey that job training, youth services and youth activities are a priority. It also states that youth training and youth recreational programs are an urgency. The Executive Summary in the City's Consolidated Plan also request quantifiable result-oriented goals for capital programs that are tied to a unified framework for the benefit of low-to-moderate income residents. Some of these programs include; pubic services based on qualification for special needs and public service activities to cities youth, and special needs. The CDBG National Objectives states under Public Services 105 (a)(8) ; Activities assisted under this title may include- provisions to public services, such as recreational programs.

The goal for our proposed project is to offer sports/recreational and educational programs to kids and teenagers that have disabilities and special needs. Our proposed project is aligned to the objectives of both the City's Consolidated Plan and the CDBG National Objectives.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

Paradise Schools was founded in 1998 at the overwhelming request of the local community. At the time, a local pastor began hearing repeatedly from community and church members about the need for improved schools. Shortly thereafter, he met with a team of educators and community members from which the idea of a school was born. As a result of much hard work Paradise Education Center a K-4 campus was designed. Under the sponsorship of the Higley School District and in the dust of an empty parcel of land, parents and students who were desperate for an alternative to the local district lined up by the hundreds to join Paradise Education Center. The land where they stood would house modest portable buildings upon opening its doors for students in September of 1998. Just a few years later in 2000 the Multi-Purpose Building was constructed and the small school site would later transform into the comprehensive elementary school campus of Paradise Education Center; a K-8 school that quickly became known for its excellence in education.

The community began to express a dire need for a secondary school that would carry on the safe climate and challenging academics that both the elementary and middle school offered. As a result, just one decade later Paradise Honors High School opened. Like its preceding schools the beginning was modest. A "4 room school house" in a rented facility would eventually give way to a comprehensive high school campus and Paradise Schools was then a complete K-12 district.

Over the years Paradise Schools has proudly served the students and parents of Surprise and the surrounding area. Our rich tradition of academic excellence and positive learning environment are just two of the revered qualities of our schools. Everyone at Paradise Schools works diligently to provide a unique, enriching and rewarding learning experience for all of our students.

As the middle school and the high school grew, we decided to implement athletic programs. At first the athletic programs were unassertive, but with great leadership from our teachers, parents and administrators both athletic programs at Paradise Education Center and Paradise Honors High School have meet the "Gold Standard" for athletic programs across the state. The athletic program at Paradise Honors High School started out with a small volleyball team and now we have boys and girls cross country, varsity and junior varsity volleyball, varsity and junior varsity football, boys and girls soccer, boys and girls basketball, softball, baseball, boys and girls tennis, boys and girls golf, badminton, wrestling and swimming. Paradise Education Center has one of the top athletic programs in the state of Arizona, with a trophy case full of awards and statistics to prove it.

Both Schools are continuing to grow and I believe this is due to the experience offered the passion to excite and serve people from the community.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	**Yes**	**No**	**NA**
Were the financial statements of the	**X**		

organization prepared in accordance with generally accepted accounting principles?			
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)

Paradise Honors High School will fund and provide the following:

- Fully equipped gym
- Football/Soccer Field
- Softball Field
- Parking
- Restrooms
- Locker rooms
- Weight Room
- Drinking Fountain's
- Trash Cans
- Utilities
- Maintenance and repairs to equipment and facilities.
- Storage for all equipment

Program Team: Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.	
Staff Member	**Background and Expertise of Personnel**
Name: Tim Gonzales Title: Assistant Executive Director for Paradise Schools FTE on This Project: Yes	Mr. Gonzales has helped develop and construct Paradise Honors High School from the ground up. He was also the principal of Paradise Honors High School and Paradise Education Center. He serves as the Assistant Executive Director of Paradise Schools.
Name: Mike Sears Title: Principal of Paradise Honors High School FTE on This Project: Yes	Mr. Sears is the principal of Paradise Honors High School. He was also the Assistant Principal of Paradise Education Center. He has helped spearhead many educational and sports projects for Paradise Schools over the past 7 years. He is a trusted leader and a catalyst for improving student performance.
Name: Zack Delmont Title: Special Ed Coordinator for Paradise Honors High School FTE on This Project: Yes	Mr. Delmont has been a Special Ed Coordinator and Special Ed Teacher for many years. He has great experience working with Special Education students, including students with disabilities and special needs.
Name: Craig Alessio Title: Guidance Consoler for Paradise Honors High School FTE on This Project: Yes	Mr. Alessio is the Guidance Counselor for Paradise Honors High School. He also has experience expertise with coordinating sports programs for kids that have disabilities.
Name: Jeremy Sahd Title: Athletic Director for Paradise Schools FTE on This Project: Yes	Mr. Sahd is the Athletic Director for Paradise Schools. He helped architect the athletic program for Paradise Honors High School. He has also been instrumental in strengthening the athletic program for Paradise Education Center.

Project Cost

Estimated Total Cost of Project:	$ 50,000		
CDBG Funding Amount Requested for Project:	$ 50,000		
Total Number of Units Served:	150-200		
Total Cost per Unit	$333.00-250.00		
Total CDBG Cost per Unit	$333.00-250.00		
Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*	**Source**	**Year**	**Amount**
	Utilities	1	10,000
	Maintenance	1	10,000
Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	We will continue to utilize our facilities, equipment and employees for the program.		
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes		

Project Timeline

Project start date: 6-1-14______________ **Project completion date:** _6-1-15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	**1st Quarter**			**2nd Quarter**			**3rd Quarter**			**4th Quarter**		
	(each box represents one month)											
SEE ATTACHED PROGRAM SCHEDULE												

Major Program Sports/Activities

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cross Fit	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7
Wheel Chair Sports	F 5-7		F 5-7		F 5-7		F 5-7		F 5-7		F 5-7	
Volleyball		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7
Basketball	T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7	
Wrestling		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5
Indoor Soccer	Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11	
Team Hand Ball		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11
Ultimate Frisbee	M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7	
Out Door Soccer	T,T 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7	

Major Program Sports/Activities

Chess		M 5-7		M 5-7		M 5-7		M 5-7		M 5-7		M 5-7
Nutrition Class	Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1	
Drug Tobacco Alcohol Awareness		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Boys Indoor Basketballs	$1600.00	x	x	$1600.00
Girls Indoor Basketballs	1000.00	x	x	1000.00
Team Handballs	800.00	x	x	800.00
Wrestling Mats	15,000.00	x	x	15,000.00
Soccer Balls	900.00	x	x	900.00
Lacrosse Equipment	1000.00	x	x	1000.00
Volleyballs	700.00	x	x	700.00
Staff Wages	3000.00	x	x	3000.00
Cross Fit Equip	3000.00	x	x	3000.00
Footballs	500.00	x	x	500.00
Badminton Equipment	300.00	x	X	300.00
Total	$27,800		$	$27,800

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.
- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).
- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.
- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

Jeremy Sabel
Signature of authorized agency representative

Date: 1-23-14

Jeremy Sabel
Printed name

Athletic Director
Title

Paradise Honors High School
Organization

SURPRISE
ARIZONA

COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT
NEIGHBORHOOD SERVICES
16000 North Civic Center Plaza
Surprise, Arizona 85374
Ph: 623.222.1550
Fax: 623.222.3001
TTY: 623.222.1002

REQUEST FOR APPLICATION FOR CDBG-FUNDED PUBLIC SERVICE ACTIVITIES

The City of Surprise, Neighborhood Services Division of the Community and Economic Development Department, is soliciting applications from qualified non-profit organizations interested in providing services that address one or more of the public service needs targeted in the city's CDBG program.

SCOPE OF WORK:
Under this program, CDBG funds may be used to provide public services (including labor, supplies, materials and other costs), provided the public service is:

- A new service; or
- A quantifiable increase in the level of a service

Targeted public service activities include, but are not limited to:

- Child care
- Health care
- Job training
- Recreation programs
- Education programs
- Public safety services
- Fair housing activities
- Services for senior citizens
- Services for homeless persons
- Drug abuse counseling and treatment
- Energy conservation counseling and testing
- Homebuyer down-payment assistance
- Welfare (as defined by CDBG)

The completed application must address one or more of the targeted public service needs listed above and must serve primarily low to moderate income persons in City of Surprise.

Funding Allocation:
Maximum funding available for any one organization is 15% of the annual CDBG allocation for the program year. The City of Surprise expects to receive $512,000 in CDBG funding for the 2014-2015 Fiscal Year, so the amount allocated to Public Service Activities would be approximately $102,000.

The selection process of applications for funding will be based upon an evaluation of the organizational capacity as well as written information provided in comparison to the needs outlined in the city's 5 year Consolidated Plan and Action Plans.

This solicitation is offered in accordance with federal and state requirements governing procurement of professional services. Accordingly, City of Surprise reserves the right to negotiate an agreement based on fair and reasonable compensation for the scope of work and services proposed, as well as the right to reject any and all responses that no application received is either feasible, meets a local need, or serves eligible or intended beneficiaries.

Funding Timeline:
Application funding recommendations made by the CDBG Commission will be forwarded to the City Council for approval as part of the Annual Action Plan process. This process is finalized by May 15th every year with the submittal of the Action Plan to HUD. Once HUD approves the plan and funds are released, a funding agreement will be signed between Surprise and the sub-recipient. Funding agreements will have an implementation timeline of 12 months from date of contract.

Reporting:
Agreements will include monthly reporting requirements, a minimum of one site visit every six months, and a process that will discuss the possible cancellation of the contract should Surprise judges the sub-recipient does not have the capacity to meet the implementation timeline and is not demonstrating compliance with contractual obligations in a timely manner.

Contractual Requirements:
Each grantee selected to receive funds is required to sign a contract with the city. No costs incurred prior to the execution of an agreement with the city are reimbursable. Under CDBG laws and regulations, certain requirements must be met in order to negotiate an agreement. These requirements include the following:

1. Applicants must demonstrate that they are a nonprofit organization or a governmental agency.
2. After an application is approved for funding, a contract will be prepared and sent by the city to the identified by the applicant as the authorized official for signature. The contract will specify the amount of the award, the period for which the project is approved, the contract term and administrative provisions. Special conditions attached to the award will also be specified in the agreement. Grantees will be required to submit and file monthly reports on expenditures, performance progress and objectives.
3. Each agency receiving CDBG funding from the City is required to certify that it will conduct its business in compliance with the non-discrimination requirements of the City, State and Federal governments, as applicable. Equal Opportunity in Employment policies will be required.

4. In the event of non-compliance, the agreement may be terminated or suspended in whole or in part.
5. All recipients will be required to comply with the federal government's audit requirements as described in OMB Circular A-133 (for HUD's programs, these requirements are codified at 24 CFR Part 84.) All recipients must have an annual audit.

Availability of Funds for Next Fiscal Year:
If funds are not allocated and available for the continuance of this contract, this contract may be terminated by the city at the end of the period for which funds are available. There is no implicit or explicit guarantee funding will be renewed. No liability shall accrue to the City of Surprise in the event this provision is exercised, and City of Surprise shall not be obligated or liable for any future payments or for any damages as a result of termination under this paragraph.

Evaluation:
The staff will evaluate applications and recommend those for an award based on the following criteria:

• Program Design and Community Impact	50 Points
• Experience and Capacity	35 Points
• Leveraging	10 Points
• References	5 Points

APPLICATION GUIDELINES:
Application Checklist:

- ☑ One (1) original completed Application (form attached), and three (3) additional copies
- ☑ Proposed Project Budget (form attached)
- ☑ Proof of IRS 501(c)3 status (if applicable)
- ☑ Other Funding Source References
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- ☑ Certifications signed by authorized official (form attached)

Contact Information:

For application assistance, please call:
Alicia Rubio
Neighborhood Service Coordinator
City of Surprise
16000 N. Civic Center Plaza
Surprise, AZ 85374
623-222-3238 Ph
623-222-1002 TDD
623-222-3001 Fax

All applications must be postmarked no later than Thursday, January 23, 2014 or received no later than 2 PM on Thursday, January 23, 2014.

Applicants are strongly encouraged to attend the City of Surprise Planning and Zoning (P & Z) Commission Public Hearing held at 6pm in the City Hall Council Chambers, Thursday, February 6, 2014. At the meeting, each organization will be allotted 5 minutes to present to the P & Z Commission about your organization's submitted application.

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SURPRISE
ARIZONA

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APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Neighborhood Services,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	Paradise Honors High School
Contact Person:	Jeremy Sahd
Contact Person Title:	Athletic Director
Mailing Address:	12775 N 175 Ave Surprise, AZ 85388
Street Address *(if different from mailing):*	
Phone:	623-455-7414
Fax:	623-975-4380
E-mail:	jsahd@paradiseschools.org
Website URL *(if applicable)*:	www.paradiseschools.org

Legal Status of Applicant:

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- ☑ Non-Profit (non-CHDO)
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- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☑ Corporation

Applicant's Qualifications:	Yes	No	NA
Drug Free Policies	x		
Fair Housing Policies			x

Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	P.R.E.P

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☑ Recreation programs
- ☑ Education programs
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- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☐ Other

If Other, describe Other:_______________________

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed)

- With a high number of children and teenagers in Surprise that have moderate to severe Disabilities and other Special Needs, we at Paradise Honors High School would like to charter our facilities that would provide a variety sports/recreational and educational programs available that can positively impact children and teenagers with these Disabilities and Special Needs. Here is list of activities that we would offer our facilities for:

- Drug Prevention
- Diet/Nutrition Awareness
- Basketball
- Volleyball
- Badminton
- Indoor/Outdoor Soccer
- Wrestling
- Cross fit
- Wheelchair Basketball/Rugby/Ping-Pong
- Team Handball
- Flag Football
- Soccer
- Lacrosse
- Ultimate Frisbee
- Softball
- Baseball
- Kickball

- Pickle ball
- Dodge ball
- Capture the Flag

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map.

All sports and activities will take place at Paradise Honors High School (**12775 N. 175 Ave. Surprise, AZ 85388)**. Here is leverage that we can offer:

- Full size gym
- 6 basketball hoops that have height adjustment
- Volleyball Set
- Retractable bleachers, which can hold 400+.
- Concession Room
- Restrooms
- Boys/Girls Locker Rooms
- Storage Rooms
- Trainer's Room
- Weight Room
    - 4 Squat Racks
    - 3 Power Platforms
    - Dumbbells
- Full Size football/Soccer Field
- Soccer goals
- Softball Field
- Parking
- Outdoor Restrooms
- Trashcans

Targeted demographic population of the city:

- P.R.E.P. will be open to various age ranges. We would provide different sports and activities depending on the age and the severity of the disability.

Age Range- 6-21

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding:

"Disabled children are equally entitled to an exciting and brilliant future. We must see to it that we remove the obstacles ... whether they stem from poor access to facilities; poor education; lack of transport; lack of funding; or unavailability of equipment such as children's wheelchairs. Only then will the rights of the disabled to equal opportunities become a reality. " -- Nelson Mandela at the opening of the first annual South African Junior Wheelchair Sports Camp in Johannesburg, December 1995

With over 500 kids between the ages of 6 and 21 that have moderate to severe special needs and disabilities in Surprise alone, we feel at Paradise Honors High School it is imperative to provide opportunities that will leave lasting impressions. The majority of our sports/recreational and educational programs can encompass 25-30 kids per class and with over 130 classes that we will be offering, we hope that we can reach out to all corners of Surprise.

Low self-esteem and a lack of confidence can plague children with disabilities. Allowing them to have equal access to sports can enhance their gross motor skills, social and communicating abilities, as well as improve their overall health and well-being. Children with special needs will mature physically, socially and emotionally when participating in recreational activities. Here is list of our Proposed Measurable Outcomes that youth with disabilities will benefit from when engaging in physical activity:

Gross Motor Skills- When disabled children participate in regular physical activity, it enhances their motor skills by increasing their strength, coordination, flexibility and balance.

Communicating and Socializing- Participation in extracurricular activities can overcome this obstacle, providing them with the ability to engage in social interactions, develop friendships and initiate social skills.

Self-esteem and Academics- Recreational participation promotes self-concept, self-esteem and self-worth, as well as their body awareness. Many children will also show improvements in their academics. The confidence that is gained from the ability to attain success in sports will make them feel like they are capable of achieving almost anything.

It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives:

Under the Priorities Needs Analysis (91.215 (a)) it clearly states that a high priority for the City's Consolidated Plan is to fund activities for a five year strategic plan. (91.215 (a)) also states under the Identified Feasible Priorities Based on Survey that job training, youth services and youth activities are a priority. It also states that youth training and youth recreational programs are an urgency. The Executive Summary in the City's Consolidated Plan also request quantifiable result-oriented goals for capital programs that are tied to a unified framework for the benefit of low-to-moderate income residents. Some of these programs include; pubic services based on qualification for special needs and public service activities to cities youth, and special needs. The CDBG National Objectives states under Public Services 105 (a)(8) ; Activities assisted under this title may include- provisions to public services, such as recreational programs.

The goal for our proposed project is to offer sports/recreational and educational programs to kids and teenagers that have disabilities and special needs. Our proposed project is aligned to the objectives of both the City's Consolidated Plan and the CDBG National Objectives.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

Paradise Schools was founded in 1998 at the overwhelming request of the local community. At the time, a local pastor began hearing repeatedly from community and church members about the need for improved schools. Shortly thereafter, he met with a team of educators and community members from which the idea of a school was born. As a result of much hard work Paradise Education Center a K-4 campus was designed. Under the sponsorship of the Higley School District and in the dust of an empty parcel of land, parents and students who were desperate for an alternative to the local district lined up by the hundreds to join Paradise Education Center. The land where they stood would house modest portable buildings upon opening its doors for students in September of 1998. Just a few years later in 2000 the Multi-Purpose Building was constructed and the small school site would later transform into the comprehensive elementary school campus of Paradise Education Center; a K-8 school that quickly became known for its excellence in education.

The community began to express a dire need for a secondary school that would carry on the safe climate and challenging academics that both the elementary and middle school offered. As a result, just one decade later Paradise Honors High School opened. Like its preceding schools the beginning was modest. A "4 room school house" in a rented facility would eventually give way to a comprehensive high school campus and Paradise Schools was then a complete K-12 district.

Over the years Paradise Schools has proudly served the students and parents of Surprise and the surrounding area. Our rich tradition of academic excellence and positive learning environment are just two of the revered qualities of our schools. Everyone at Paradise Schools works diligently to provide a unique, enriching and rewarding learning experience for all of our students.

As the middle school and the high school grew, we decided to implement athletic programs. At first the athletic programs were unassertive, but with great leadership from our teachers, parents and administrators both athletic programs at Paradise Education Center and Paradise Honors High School have meet the "Gold Standard" for athletic programs across the state. The athletic program at Paradise Honors High School started out with a small volleyball team and now we have boys and girls cross country, varsity and junior varsity volleyball, varsity and junior varsity football, boys and girls soccer, boys and girls basketball, softball, baseball, boys and girls tennis, boys and girls golf, badminton, wrestling and swimming. Paradise Education Center has one of the top athletic programs in the state of Arizona, with a trophy case full of awards and statistics to prove it.

Both Schools are continuing to grow and I believe this is due to the experience offered the passion to excite and serve people from the community.

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	**Yes**	**No**	**NA**
Were the financial statements of the	X		

organization prepared in accordance with generally accepted accounting principles?			
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)

Paradise Honors High School will fund and provide the following:

- Fully equipped gym
- Football/Soccer Field
- Softball Field
- Parking
- Restrooms
- Locker rooms
- Weight Room
- Drinking Fountain's
- Trash Cans
- Utilities
- Maintenance and repairs to equipment and facilities.
- Storage for all equipment

Program Team: Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.	
Staff Member	**Background and Expertise of Personnel**
Name: Tim Gonzales Title: Assistant Executive Director for Paradise Schools FTE on This Project: Yes	Mr. Gonzales has helped develop and construct Paradise Honors High School from the ground up. He was also the principal of Paradise Honors High School and Paradise Education Center. He serves as the Assistant Executive Director of Paradise Schools.
Name: Mike Sears Title: Principal of Paradise Honors High School FTE on This Project: Yes	Mr. Sears is the principal of Paradise Honors High School. He was also the Assistant Principal of Paradise Education Center. He has helped spearhead many educational and sports projects for Paradise Schools over the past 7 years. He is a trusted leader and a catalyst for improving student performance.
Name: Zack Delmont Title: Special Ed Coordinator for Paradise Honors High School FTE on This Project: Yes	Mr. Delmont has been a Special Ed Coordinator and Special Ed Teacher for many years. He has great experience working with Special Education students, including students with disabilities and special needs.
Name: Craig Alessio Title: Guidance Consoler for Paradise Honors High School FTE on This Project: Yes	Mr. Alessio is the Guidance Counselor for Paradise Honors High School. He also has experience expertise with coordinating sports programs for kids that have disabilities.
Name: Jeremy Sahd Title: Athletic Director for Paradise Schools FTE on This Project: Yes	Mr. Sahd is the Athletic Director for Paradise Schools. He helped architect the athletic program for Paradise Honors High School. He has also been instrumental in strengthening the athletic program for Paradise Education Center.

Project Cost

Estimated Total Cost of Project:	$ 50,000
CDBG Funding Amount Requested for Project:	$ 50,000
Total Number of Units Served:	150-200
Total Cost per Unit	$333.00-250.00
Total CDBG Cost per Unit	$333.00-250.00

Amount and Source of Other Funds Leveraged for Project: *(Please submit proof of other funding sources)*

Source	Year	Amount
Utilities	1	10,000
Maintenance	1	10,000

Project Sustainability: How will your organization continue providing these services if CDBG funds are not awarded next year?	We will continue to utilize our facilities, equipment and employees for the program.
If your project is not fully funded, will your organization be able to implement project with partial funding?	Yes

Project Timeline

Project start date: 6-1-14______________ **Project completion date:** _6-1-15

Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.

Program Schedule

Major Program Activities:	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
	(each box represents one month)											
SEE ATTACHED PROGRAM SCHEDULE												

Major Program Sports/Activities

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cross Fit	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7	M,W 5-7
Wheel Chair Sports	F 5-7		F 5-7		F 5-7		F 5-7		F 5-7		F 5-7	
Volleyball		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7
Basketball	T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7	
Wrestling		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5		W,F 3-5
Indoor Soccer	Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11	
Team Hand Ball		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11		Sat 9-11
Ultimate Frisbee	M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7		M,W 5-7	
Out Door Soccer	T,T 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7		T,TH 5-7	

Major Program Sports/Activities

Chess		M 5-7		M 5-7		M 5-7		M 5-7		M 5-7		M 5-7
Nutrition Class	Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1	
Drug Tobacco Alcohol Awareness		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1		Sat 12-1

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Boys Indoor Basketballs	$1600.00	x	x	$1600.00
Girls Indoor Basketballs	1000.00	x	x	1000.00
Team Handballs	800.00	x	x	800.00
Wrestling Mats	15,000.00	x	x	15,000.00
Soccer Balls	900.00	x	x	900.00
Lacrosse Equipment	1000.00	x	x	1000.00
Volleyballs	700.00	x	x	700.00
Staff Wages	3000.00	x	x	3000.00
Cross Fit Equip	3000.00	x	x	3000.00
Footballs	500.00	x	x	500.00
Badminton Equipment	300.00	x	X	300.00
Total	$27,800		$	$27,800

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.
- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).
- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.
- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

Jeremy Sabel
Signature of authorized agency representative

1-23-14
Date:

Jeremy Sabel
Printed name

Athletic Director
Title

Paradise Honors High School
Organization

INTERNAL REVENUE SERVICE
P. O. BOX 2508
CINCINNATI, OH 45201

DEPARTMENT OF THE TREASURY

Date: JAN 20 2000

PARAGON MANAGEMENT INC
C/O JACK M CAUDLE
15533 W PARADISE LANE
SURPRISE, AZ 85374-5851

Employer Identification Number:
86-0911513
DLN:
17053288027009
Contact Person:
JOSEPH LAUX ID# 31077
Contact Telephone Number:
(877) 829-5500
Accounting Period Ending:
June 30
Form 990 Required:
Yes
Addendum Applies:
Yes

Dear Applicant:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3).

We have further determined that you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in sections 509(a)(1) and 170(b)(1)(A)(ii).

If your sources of support, or your purposes, character, or method of operation change, please let us know so we can consider the effect of the change on your exempt status and foundation status. In the case of an amendment to your organizational document or bylaws, please send us a copy of the amended document or bylaws. Also, you should inform us of all changes in your name or address.

As of January 1, 1984, you are liable for taxes under the Federal Insurance Contributions Act (social security taxes) on remuneration of $100 or more you pay to each of your employees during a calendar year. You are not liable for the tax imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, if you are involved in an excess benefit transaction, that transaction might be subject to the excise taxes of section 4958. Additionally, you are not automatically exempt from other federal excise taxes. If you have any questions about excise, employment, or other federal taxes, please contact your key district office.

Grantors and contributors may rely on this determination unless the Internal Revenue Service publishes notice to the contrary. However, if you lose your section 509(a)(1) status, a grantor or contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act, or the substantial or material change on the part of the organization that resulted in your loss of such status, or if he or she acquired knowledge that the Internal Revenue Service had given notice that you would no longer be classified as a section 509(a)(1) organization.

PARAGON MANAGEMENT INC

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for federal estate and gift tax purposes if they meet the applicable provisions of Code sections 2055, 2106, and 2522.

Contribution deductions are allowable to donors only to the extent that their contributions are gifts, with no consideration received. Ticket purchases and similar payments in conjunction with fundraising events may not necessarily qualify as deductible contributions, depending on the circumstances. See Revenue Ruling 67-246, published in Cumulative Bulletin 1967-2, on page 104, which sets forth guidelines regarding the deductibility, as charitable contributions, of payments made by taxpayers for admission to or other participation in fundraising activities for charity.

In the heading of this letter we have indicated whether you must file Form 990, Return of Organization Exempt From Income Tax. If Yes is indicated, you are required to file Form 990 only if your gross receipts each year are normally more than $25,000. However, if you receive a Form 990 package in the mail, please file the return even if you do not exceed the gross receipts test. If you are not required to file, simply attach the label provided, check the box in the heading to indicate that your annual gross receipts are normally $25,000 or less, and sign the return.

If a return is required, it must be filed by the 15th day of the fifth month after the end of your annual accounting period. A penalty of $20 a day is charged when a return is filed late, unless there is reasonable cause for the delay. However, the maximum penalty charged cannot exceed $10,000 or 5 percent of your gross receipts for the year, whichever is less. For organizations with gross receipts exceeding $1,000,000 in any year, the penalty is $100 per day per return, unless there is reasonable cause for the delay. The maximum penalty for an organization with gross receipts exceeding $1,000,000 shall not exceed $50,000. This penalty may also be charged if a return is not complete, so be sure your return is complete before you file it.

The law requires you to make your annual return available for public inspection without charge for three years after the due date of the return. You are also required to make available for public inspection a copy of your exemption application, any supporting documents and this exemption letter to any individual who requests such documents in person or in writing. You can charge only a reasonable fee for reproduction and actual postage costs for the copied materials. The law does not require you to provide copies of public inspection documents that are made widely available, such as by posting them on the Internet (World Wide Web). You may be liable for a penalty of $20 a day for each day you do not make these documents available for public inspection (up to a maximum of $10,000 in the case of an annual return).

You are not required to file federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form

PARAGON MANAGEMENT INC

990-T, Exempt Organization Business Income Tax Return. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

If we have indicated in the heading of this letter that an addendum applies, the enclosed addendum is an integral part of this letter.

Because this letter could help resolve any questions about your exempt status and foundation status, you should keep it in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely yours,

Steven T. Miller

Steven T. Miller
Director, Exempt Organizations

Enclosure(s):

Paragon Management, Inc.
86-0911513

Addendum

If you should loose your charter from the state of Arizona, you will need to contact the Internal Revenue Service to determine what effect, if any, this will have on your exempt status under section 501©(3) of the Code, and your foundation status under section 509(a)(1) and 170(b)(1)(A)(ii) as a school.

PARAGON MANAGEMENT, INC.,
D.B.A. PARADISE SCHOOLS
SINGLE AUDIT REPORTING PACKAGE
FOR THE YEAR ENDED JUNE 30, 2013

PARAGON MANAGEMENT, INC.,
D.B.A. PARADISE SCHOOLS
JUNE 30, 2013

TABLE OF CONTENTS

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

3033 N. Central Ave., Suite 300
Phoenix, Arizona 85012
Tel (602) 277-9449
Fax (602) 277-9297

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Paragon Management, Inc., d.b.a Paradise Schools

Report on Financial Statements

We have audited the accompanying financial statements of Paragon Management, Inc., d.b.a Paradise Schools (School) which comprise the statement of financial position of as of June 30, 2013, and the related statements of activities 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 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 Paragon Management, Inc., d.b.a Paradise Schools' 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 Paragon Management, Inc., d.b.a Paradise Schools' 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 Paragon Management, Inc., d.b.a Paradise Schools as of June 30, 2013, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2013, on our consideration of Paragon Management, Inc., d.b.a Paradise Schools' 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 the 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 Paragon Management, Inc., d.b.a Paradise Schools' internal control over financial reporting and compliance.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

October 31, 2013

PARAGON MANAGEMENT, INC. D.B.A. PARADISE SCHOOLS
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013

ASSETS

Current Assets		
Cash and cash equivalents	$	910,704
Restricted assets		221,764
Accounts receivable		4,822
Due from governmental entities		154,819
Prepaid expenses		2,471
Restricted cash - held with paying agent		310,000
Total Current Assets		1,604,580
Noncurrent Assets		
Deferred charges		1,441,101
Restricted assets		1,581,644
Property and equipment (net of accumulated depreciation of $4,661,742)		23,986,399
Total Noncurrent Assets		27,009,144
Total Assets	$	28,613,724

LIABILITIES AND NET ASSETS

Current Liabilities		
Accounts payable	$	137,395
Accrued payroll and benefits		232,072
Due to student groups		36,133
Deferred revenue		23,344
Refundable deposits		2,800
Interest payable		145,370
Lease payable		28,211
Loans payable		131,009
Notes payable		310,000
Total Current Liabilities		1,046,334
Noncurrent Liabilities		
Loans payable		418,991
Notes payable		26,325,000
Total Noncurrent Liabilities		26,743,991
Total Liabilities		27,790,325
Net Assets		
Unrestricted		823,399
Total Liabilities and Net Assets	$	28,613,724

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

PARAGON MANAGEMENT, INC. D.B.A. PARADISE SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Revenues	**Unrestricted**
State aid	$ 10,732,886
Federal revenue	620,218
Food service sales	197,673
Contributions and donations	205,404
Other revenue	423,555
Interest revenue	1,368
Total revenues	12,181,104
Expenses	
Program services:	
Instruction	8,445,545
Instructional Support	871,171
Food Services	331,259
Management and general	2,692,944
Total expenses	12,340,919
Decrease in Net Assets	(159,815)
Net Assets, July 1, 2012	983,214
Net Assets, June 30, 2013	$ 823,399

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

PARAGON MANAGEMENT, INC. D.B.A. PARADISE SCHOOLS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

Increase in Cash and Cash Equivalents		
Cash Flows From Operating Activities:		
Decrease in net assets	$	(159,815)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		771,449
Increase in accounts receivable		(1,253)
Increase in due from governmental entities		(41,296)
Increase in prepaid expenses		(2,471)
Decrease in deferred charges		56,854
Decrease in accounts payable		(54,166)
Decrease in accrued payroll and benefits		(31,348)
Increase in due to student groups		22,013
Increase in deferred revenue		5,028
Increase in refundable deposits		400
Increase in interest payable		1,764
Net cash provided by operating activities		567,159
Cash flows from investing activities:		
Decrease in restricted cash		34,072
Purchase of property and equipment		(413,224)
Net cash used by investing activities		(379,152)
Cash flows from financing activities:		
Payment on lease payable		(39,964)
Loan Proceeds		550,000
Payment on loans payable		(229,460)
Payment on notes payable		(295,000)
Net cash used for financing activities		(14,424)
Net increase in cash and cash equivalents		173,583
Cash and cash equivalents, July 1, 2012		737,121
Cash and cash equivalents, June 30, 2013	$	910,704
Supplemental data:		
Interest paid on loans	$	23,691
Interest paid on notes		1,592,179

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Paragon Management, Inc., d.b.a. Paradise Schools (the School) is an Arizona not-for-profit organization formed in fiscal year 1998. The School provides education for students in grades kindergarten through twelve. The Arizona Charter Schools are intended to provide additional academic choices for parents and students that will improve pupil achievement. Charter school statutes support flexibility and innovation in key areas of operations and organizational structures, including scheduling, curriculum, and instructional methodologies. The School operates under a charter contract with the Arizona State Board for Charter Schools. The Charter expires in June 2032 and is subject to renewal. The School derives program funding from state educational aid and government grants. The more significant accounting policies are described below.

A. Basis of Accounting

The financial statements of the School have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

B. Basis of Presentation

The School is required to report information regarding its financial position and activities according to three classes based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the School and changes therein are classified as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the School and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the School. Generally, the donors of these assets permit the School to use all or part of the income earned on related investments for general purposes.

The School had no temporarily restricted or permanently restricted net assets during the fiscal year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets 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 temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

D. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

E. Estimates

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

F. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the School. No amounts have been recognized as contributions in the financial statements for volunteer services since the recognition criteria were not met.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the School considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. Restricted Assets

Certain accounts related to the School's IDA notes are classified as restricted on the Statement of Financial Position, because they are maintained in Trust accounts and their use is limited by applicable debt covenants.

I. Concentrations of Credit and Market Risk

Financial instruments that potentially expose the School to concentrations of credit and market risk consist primarily of cash equivalents and investments. The School maintains its cash and cash equivalents in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. At year end, the School's uninsured cash balances total $616,892. To minimize risk, cash accounts are maintained at high-quality financial institutions and credit exposure is limited to any one institution.

J. Deferred Charges

Deferred charges consist of issuance costs incurred in connection with the IDA promissory notes. These costs have been deferred and are being amortized over the term of the notes using the straight-line method.

K. Accounts Receivable and Due from Governmental Entities

Amounts due from governmental entities and accounts receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts is not considered necessary.

L. Property and Equipment

All acquisitions of land, buildings and improvements with a cost in excess of $3,000 or vehicles, furniture and equipment with a cost in excess of $300 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, ranging from 5 to 40 years. Depreciation expense for the current fiscal year was $771,449.

M. Deferred Revenue

Deferred revenue results from the School recognizing revenue in the period in which the related educational instruction is performed. Accordingly, revenue received for the next school term are deferred until the instruction commences.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concl'd)

N. Income Tax Status

The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under Arizona Revised Statutes (A.R.S.). In addition, the School 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). Accordingly, no provision for income taxes has been provided in the financial statements. The School's Form 990, *Return of Organization Exempt from Income Taxes*, is generally subject to examination by the Internal Revenue Service for three years after the date filed.

O. Subsequent Events

Subsequent events have been evaluated through October 31, 2013, which is the date the financial statements were available to be issued.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following.

Land and Improvements	$ 4,146,128
Buildings and Improvements	21,924,797
Furniture and Equipment	2,577,216
Total property and equipment	28,648,141
Less accumulated depreciation and amortization	(4,661,742)
Net property and equipment	$ 23,986,399

NOTE 3 – OBLIGATIONS UNDER CAPITAL LEASES

The School leases equipment under a capital lease. The economic substance of the lease is that the School is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the School's assets and liabilities.

NOTE 3 – OBLIGATIONS UNDER CAPITAL LEASES (Concl'd)

The following is an analysis of the leased assets included in property and equipment.

Equipment	$ 61,833
Less accumulated depreciation	(4,637)
Total property and equipment	$ 57,196

The following is a schedule by years of future minimum payments required under the lease. The lease agreement is interest free, and payments have not been discounted to present value.

Year Ending:	
2014	$ 28,211
Total minimum lease payments	$ 28,211

Amortization of assets held under capital leases is included with depreciation expense.

NOTE 4 – DEBT OBLIGATIONS

Education Revenue Bonds – The Industrial Development Authority of the County of Pima (IDA) issued both tax-exempt and taxable Education Revenue Bonds (bonds) under an Indenture of Trust dated as of June 1, 2003. The IDA issued tax-exempt Education Revenue Bonds (2006 bonds) under a First Supplemental Indenture of Trust dated as of May 1, 2006. The IDA also issued tax-exempt Education Revenue Bonds (2010 bonds) under a Second Supplemental Indenture of Trust dated as of October 1, 2010. The proceeds of the 2003, 2006, and 2010 bonds were loaned to the School for the purpose of financing the costs of acquiring, constructing, renovating and/or equipping educational facilities; paying the issuance costs of the bonds; and establishing reserves to be used in the event of default by the School.

NOTE 4 – DEBT OBLIGATIONS (Cont'd)

The School is obligated to the IDA under its respective Loan Agreement and promissory notes to make payments sufficient to pay the principal and interest on its loans and to pay its share of ongoing costs. The School has pledged substantially all of its revenues in order to meet its obligations under the Loan Agreement and promissory notes. The primary revenues of the School are state equalization assistance, which are statutorily owed by the State to the School based on student enrollment. The School has irrevocably directed the State to make its equalization payments directly to the trustee of the bonds so long as any of its obligations under the Loan Agreement remain outstanding and unsatisfied. The trustee of the bonds calculates and retains the amount due under the Loan Agreement and remits the remaining state equalization payments to the school. Additionally, the Loan Agreement contains restrictive covenants including minimum amounts of insurance, maintenance of tax exempt status, compliance with the Charter School Act, limits on additional indebtedness and maintenance of both the minimum assets and cash reserves.

The notes are payable to the IDA in semi-annual installments through June 2045 including interest at an effective annual rate of 6.004%. The notes are collateralized by the School's land and buildings, cash held by trustee, a deed of trust on real property, and pledged revenues.

The Loan Agreement and promissory notes remain in force until either all payments required by the promissory notes have been paid or there are sufficient monies in the reserve funds to redeem all outstanding bonds.

Reserve Funds – The reserve funds are held in trust solely for the benefit of the bondholders. The School does not have a legal, equitable, or reversionary right to the reserve funds. In the event of default of the loan agreement by the School, amounts held in the reserve funds and any proceeds from the sale of collateral will be used to satisfy/repay the promissory notes of the defaulting participant.

If at any time the amount in the reserve funds exceeds the aggregate principal amount of bonds outstanding plus any redemption premium, the reserve funds will be used to redeem all outstanding bonds and, accordingly, the School's obligation under the Loan Agreement and promissory notes ceases. Therefore, the School's initial and continuing contributions to the reserve funds are accounted for as restricted assets.

NOTE 4 – DEBT OBLIGATIONS (Concl'd)

The future scheduled maturities of notes payable are as follows.

Year Ending:		
	2014	$ 310,000
	2015	325,000
	2016	340,000
	2017	360,000
	2018	380,000
	Thereafter	24,920,000
Total notes payable		$ 26,635,000

Loans Payable – During the year ending June 30, 2013, the School entered into a loan agreement for $550,000 to refinance an outstanding construction loan and obtain additional capital requirements at an annual interest rate of 4.25 percent. The loan is collateralized by two of the School's busses. In addition, the School has pledged revenues. This pledge is subordinate to the School's pledge to the payments of the IDA notes and its obligations pursuant to the IDA note agreement.

The future scheduled maturities of loans payable are as follows:

Year Ending:		
	2014	$ 131,009
	2015	181,290
	2016	189,147
	2017	48,554
Total loans payable		$ 550,000

NOTE 5 – REVOLVING LINE OF CREDIT

The School has a $250,000 revolving line of credit, which was unused at year end. Bank advances on the credit line are payable on demand and carry an interest rate of 5.018 percent over the LIBOR Rate.

NOTE 6 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The School contributes to the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined health insurance premium plan; and a cost-sharing, multiple-employer defined benefit long-term disability plan that covers employees of the State of Arizona and employees of participating political subdivisions and school districts. The ASRS is governed by the Arizona State Retirement System Board according to the provisions of A.R.S. Title 38, Chapter 5, Article 2.

Plan Description – Benefits are established by state statute and the plan generally provides retirement, long-term disability, and health insurance premium benefits, including death and survivor benefits. The retirement benefits are generally paid at a percentage, based on years of service, of the retirees' average compensation. Long-term disability benefits vary by circumstance, but generally pay a percentage of the employee's monthly compensation. Health insurance premium benefits are paid as a fixed dollar amount per month towards the retiree's healthcare insurance premiums, in amounts based on whether the benefit is for the retiree or for the retiree and his or her dependents.

The ASRS issues a comprehensive annual financial report that includes financial statements and required supplementary information. The most recent report may be obtained by writing the ASRS, 3300 North Central Avenue, P.O. Box 33910, Phoenix, Arizona 85067-3910 or by calling (602) 240-2000 or (800) 621-3778. The report is also available on the ASRS' website at www.azasrs.gov.

Funding Policy – The Arizona State Legislature establishes and may amend active plan members' and the School's contribution rates. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 11.14 percent (10.90 percent for retirement and 0.24 percent for long-term disability) of the members' annual covered payroll and the School was required by statute to contribute at the actuarially determined rate of 11.14 percent (10.25 percent for retirement, 0.65 percent for health insurance premium, and 0.24 percent for long-term disability) of the members' annual covered payroll.

The School's contributions for the current and prior year, both of which were equal to the required contributions, were as follows.

	Retirement Fund	Health Benefit Supplement Fund	Long-Term Disability Fund
Year ending June 30:			
2013	$ 505,282	$ 32,042	$ 11,831
2012	$ 515,685	$ 32,916	$ 12,539

NOTE 7 – CONTINGENT LIABILITIES

Compliance - The School's compliance with certain laws and regulations is subject to review by the State of Arizona and the Arizona State Board for Charter Schools. Although such reviews could result in a reduction of state aid, in the opinion of the School's management, any required reductions are not expected to be significant.

NOTE 8 – CONCENTRATIONS

The School's revenue sources are primarily based on state financial assistance. The amount of these payments is based on student membership.

SINGLE AUDIT SECTION

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

3033 N. Central Ave., Suite 300
Phoenix, Arizona 85012
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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*

Independent Auditor's Report

The Board of Directors
Paragon Management, Inc., d.b.a. Paradise Schools

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 Paragon Management, Inc., d.b.a. Paradise Schools, which comprise the statement of financial position as of June 30, 2013 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 October 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Paragon Management, Inc., d.b.a. Paradise Schools' 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 Paragon Management, Inc., d.b.a. Paradise Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Paragon Management, Inc., d.b.a. Paradise Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Paragon Management, Inc., d.b.a. Paradise Schools' 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*.

We noted certain matters that we reported to management of Paragon Management, Inc., d.b.a. Paradise Schools in a separate document entitled Legal Compliance Questionnaire dated October 31, 2013.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

October 31, 2013

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

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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 OMB CIRCULAR A-133

Independent Auditor's Report

The Board of Directors
Paragon Management, Inc., d.b.a. Paradise Schools

Report on Compliance for Each Major Federal Program
We have audited Paragon Management, Inc., d.b.a. Paradise Schools' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Paragon Management, Inc., d.b.a. Paradise Schools' major federal programs for the year ended June 30, 2013. Paragon Management, Inc., d.b.a. Paradise Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of Paragon Management, Inc., d.b.a. Paradise Schools' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Paragon Management, Inc., d.b.a. Paradise Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Paragon Management, Inc., d.b.a. Paradise Schools' compliance.

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Opinion on Each Major Federal Program

In our opinion, Paragon Management, Inc., d.b.a. Paradise Schools 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 June 30, 2013.

Report on Internal Control Over Compliance

Management of Paragon Management, Inc., d.b.a. Paradise Schools is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Paragon Management, Inc., d.b.a. Paradise Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Paragon Management, Inc., d.b.a. Paradise Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Paragon Management, Inc., d.b.a. Paradise Schools as of and for the year ended June 30, 2013, and have issued our report thereon dated October 31, 2013, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by OMB Circular A-133 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Heinfeld, Meech & Co., P.C.

HEINFELD, MEECH & CO., P.C.
CPAs and Business Consultants

October 31, 2013

PARAGON MANAGEMENT, INC., D.B.A. PARADISE SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor's Number	Expenditures and Transfers	Total Expenditures and Transfers
U.S. Department of Education				
Passed through Arizona Department of Education:				
Title I Grants to Local Educational Agencies	84.010	S010A040003		$ 208,124
Special Education - Grants to States	84.027	H027A090007		172,238
English Language Acquisition Grants	84.365	S365A090003		2,156
Improving Teacher Quality State Grants	84.367	S281A030003		14,573
Race to the Top	84.413	B413A1200005		2,705
Total U.S. Department of Education				399,796
U.S. Department of Agriculture				
Passed through Arizona Department of Education:				
Child Nutrition Cluster:				
Non-Cash Assistance (Commodities):				
National School Lunch Program	10.555	7AZ300AZ3		12,574
Cash Assistance:				
National School Lunch Program	10.555	7AZ300AZ3		178,673
Total Child Nutrition Cluster				191,247
Total Expenditures of Federal Awards				$ 591,043

See accompanying notes to schedule.

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Paragon Management, Inc., d.b.a. Paradise Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The program titles and CFDA numbers were obtained from the federal or pass-through grantor or the 2013 *Catalog of Federal Domestic Assistance*.

PARAGON MANAGEMENT, INC.,
D.B.A. PARADISE SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiency(ies) identified? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ______ yes __X__ no
- Significant deficiency(ies) identified? ______ yes __X__ 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 section 510(a) of OMB Circular A-133? ______ yes __X__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027	Special Education – Grants to States
10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ______ yes __X__ no

FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None reported.

FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

None reported.

**PARAGON MANAGEMENT, INC.,
D.B.A. PARADISE SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2013**

Status of Federal Award Findings and Questioned Costs

Reference Number: 2012-1
Program: Special Education Cluster
CFDA Number: 84.027, 34.391

Status: Corrected.

APPLICATION FOR CDBG-FUNDED PUBLIC SERVICES ACTIVITIES

Please complete & submit this form to Neighborhood Services,
City of Surprise,
16000 N. Civic Center Plaza
Surprise, AZ 85374
We do not accept e-mail or electronic submissions

Organization Information

Name of Organization:	St. Mary's Food Bank Alliance
Contact Person:	Lisa Goin
Contact Person Title:	Chief Development Officer
Mailing Address:	2831 N. 31st Ave. Phoenix, AZ 85009
Street Address *(if different from mailing)*:	Service location: 13050 W. Elm Street, Surprise, AZ 85374
Phone:	602-343-3146
Fax:	602-352-3665
E-mail:	lagoin@firstfoodbank.org
Website URL *(if applicable)*:	www.firstfoodbank.org

Legal Status of Applicant:

- ☐ State-Certified CHDO
- ☒ Non-Profit (non-CHDO)
- ☐ Public Housing Authority
- ☐ State Agency
- ☐ Local Government
- ☐ Tribal Government
- ☐ Council of Government
- ☐ General Partnership
- ☐ Limited Partnership
- ☐ Limited Liability Company
- ☐ Corporation

Applicant's Qualifications:	**Yes**	**No**	**NA**
Drug Free Policies	X		
Fair Housing Policies			X
Equal Employment Opportunity Employer	X		

Project Description

Proposed Project Title:	Emergency Food Boxes

Check applicable priority area(s) that the project addresses:

- ☐ Child care
- ☐ Health care
- ☐ Job training
- ☐ Recreation programs
- ☐ Education programs
- ☐ Public safety services
- ☐ Fair housing activities
- ☐ Services for senior citizens
- ☐ Services for homeless persons
- ☐ Drug abuse counseling and treatment
- ☐ Energy conservation counseling and testing
- ☐ Homebuyer down-payment assistance
- ☐ Welfare (as defined by CDBG)
- ☒ Other

If Other, describe Other: Hunger Relief

Describe the problem or need to be addressed by proposed project. (Please attach an extra sheet if needed): Dealing with a crisis situation, such as a fire, flood, sudden income loss, or medical emergency, is devastating. The stress of dealing with insurance companies, finding a place to stay temporarily, medical bills and more takes its toll. As if this wasn't overwhelming enough, families who have lost everything and are trying to recover from a crisis need food -- and oftentimes do not have the resources to get it. This is especially true among low-income people in our state - a population that is growing.

Despite reports about an improving economy, Arizonans continue to struggle with poverty and hunger. Ever since the recession began, families have been hard hit by layoffs, reduced work hours, increasing costs for food, and foreclosures. Arizona has the fifth highest poverty rate in the nation at 18.6%. Feeding America reports that 478,420 Arizona children (29.9%) are food insecure, meaning they do not have consistent access to adequate food or regular meals. Children are especially at risk of hunger during school breaks when they do not have access to free school feeding programs and miss meals at home because (continued in Attachment A)

Project Location & Service Area - Describe the area to be served by the project. If possible, include a map. St. Mary's Food Bank Alliance (St. Mary's) will provide its increased and enhanced services to residents within the City of Surprise, including the OTS (see map in Attachment C).

Targeted demographic population of the city: The target population for the Emergency Food Box Program is food-insecure Surprise residents with an income at or below 185% of the federal poverty level. St. Mary's will assist individuals, families, single parents, seniors, the handicapped and the working poor. Each year, thousands of these individuals come to St. Mary's seeking an Emergency Food Box because they do not have enough money for food and their other expenses (housing, medical care, etc.). Services are provided to residents in Surprise and surrounding communities. Surprise emergency food recipient demographics are 39% Hispanic, 43% White, 13% African American, 2% Native American, 2% Asian and 1% Other.

Proposed Measurable Outcomes – Please provide an outcome statement to be achieved through the use of CDBG funding: Through the use of CDBG funding, St. Mary's plans to quantifiably increase the level of service provided through its Emergency Food Box Program. The program outcome is that St. Mary's will provide 14,000 emergency food boxes to Surprise residents in Fiscal Year 2014/15. Each food box contains a three-day supply of food to people in crisis, so these food boxes will provide 126,000 meals to hungry Surprise residents. A grant of $20,000 from the City of Surprise will provide nearly 2,700 food boxes (8,100 meals) to people in a crisis situation.
It is the intent of the City of Surprise to fund those activities that meet a High Priority in City's Consolidated Plan and comply with CDBG National Objectives- Describe in detail how the proposed project complies with these two objectives: The population served through the Emergency Food Box Program includes these high-priority targeted individuals: the elderly, the frail elderly, and physically disabled persons residing in Surprise, including the Original Townsite of Surprise (OTS). The program also targets youth; in fact, nearly 50% of the people benefiting from an emergency food box are children. The enhanced programming proposed in this document supports services that will result in improved health, wellness and quality of life for these high-priority and other Surprise residents in need, many of whom reside within the OTS. The program also complies with CDBG National Objectives to benefit low- and moderate-income persons. Funding from the City of Surprise for the Emergency Food Box Program, for example, will help low- and moderate-income seniors and disabled adults in a crisis situation that requires an emergency food box. The provision of a food box also supplements their finances by not having to purchase meals when they are in a crisis and their funds are even lower than usual.

Organizational Capacity

Please describe organization's history and prior experience, including a list of similar projects: (Please attach an extra sheets if needed)

St. Mary's Food Bank Alliance, the first food bank in America, has been providing supplemental and emergency food in Arizona since 1967. This was the year our founder, John van Hengel, was touched by the plight of a mother who told him she was feeding her children with edible food she found in a dumpster. John envisioned a bank where people with excess food would deposit it, and those in need of food would withdraw it. Thus, St. Mary's was born and the food bank model has been replicated nationwide. St. Mary's is committed to improving the quality of life for Arizonans in need, building community relationships to maximize resources and serve more people, and volunteerism. St. Mary's has facilities in Phoenix, Surprise and Flagstaff.

Our mission is to alleviate hunger through the gathering and distribution of food while encouraging self-sufficiency, collaboration, advocacy and (continued in Attachment B)

Financial Audits and Reports: *(Please submit a copy of most recent financial audit)*	**Yes**	**No**	**NA**
Were the financial statements of the organization prepared in accordance with generally accepted accounting principles?	X		
Was there accurate and complete disclosure of the financial expenditures of each federally sponsored program?	X		
Was an audit of the financial records obtained annually (or at least biennially) in accordance with federal regulations and local requirements?	X		
Was the audit performed by a licensed Certified Public Accountant?	X		
Was the latest audit forwarded to the funding agency?	X		
Has a copy of all applicable audits/reviews (including any management letter, if appropriate) been forwarded to the funding agency?	X		

Please Provide Other Funding Source References: (Please attach extra sheets if needed)
Other agency funders include foundations, corporations, individuals, program revenue, government grants, interest, and dividends. Please see the enclosed audited financial report that references the sources of income St. Mary's received in the last fiscal year.

Program Team:

Identify the name of the responsible party and the experience that they have in this role. Team members identified after the application are subject to review. Attach extra sheets if needed.

Staff Member	Background and Expertise of Personnel
Name: Mike Hanosh Title: Chief Operations Officer FTE on This Project: 0.75	Mike is responsible for St. Mary's outreach efforts and working closely with its 330 partner agencies, including those involved in the Emergency Food Box Program, to help strengthen and benefit low-income, food insecure Arizonans. Mike came to St. Mary's with more than 10 years of executive level leadership in both the private and public sectors. He successfully led organizations in a number of different industries including manufacturing, retail, advanced technology, and insurance and financial services. He has a unique blend of operations and technical experience, as well as a strong focus on organizational transformation and change management. Mike earned a Bachelors of Business Administration degree from Loyola Marymount University.
Name: Sarah Stuckey Title: Chief Financial Officer FTE on This Project: 0.1	Sarah Stuckey spent the majority of her career in non-profit leadership in the Valley before joining St. Mary's as Chief Financial Officer. She was a founding partner of the Phoenix-based corporate communications company Option II Advisors, which specialized in interim corporate leadership, financial and operational strategy and budgeting, public relations, management consulting, conflict resolution and general business consulting. Previously, she worked for the Frank Lloyd Wright Foundation and while there, was named co-Interim Chief Executive Officer while also serving as the organization's Chief Financial Officer. She holds a Bachelor of Business Administration degree from Southern Methodist University.
Name: Scott Gray Title: Community Development Manager FTE on This Project: 0.5	Scott Gray manages and maintains Compliance Policies and Procedures for the Agency Services Department and is responsible for training and capacity building for programs that St. Mary's offers to its EFB and other agency partners. One of his functions is to develop relationships to maximize the partnership between St. Mary's and agencies in the same service areas.
Name: Title: FTE on This Project:	

<table>
<tr><th colspan="4">Project Cost</th></tr>
<tr><td>Estimated Total Cost of Project:</td><td colspan="3">$120,600</td></tr>
<tr><td>CDBG Funding Amount Requested for Project:</td><td colspan="3">$20,000</td></tr>
<tr><td>Total Number of Units Served:</td><td colspan="3">2,667 (out of the projected 12,000 boxes we will provide)</td></tr>
<tr><td>Total Cost per Unit</td><td colspan="3">$7.50</td></tr>
<tr><td>Total CDBG Cost per Unit</td><td colspan="3">$7.50</td></tr>
<tr><td rowspan="6">Amount and Source of Other Funds Leveraged for Project: (Please submit proof of other funding sources). The program budget is for FY 2014/15. St. Mary's has not secured funds for that year, as it still is in FY 2013/14. We will secure the balance of funds through individual, foundation, corporate and other donations. Pending requests for the EFB Program, and that we expect in 2014/15, include FEMA, the City of Phoenix, and the Darden Foundation.</td><td>Source</td><td>Year</td><td>Amount</td></tr>
<tr><td>Darden Foundation</td><td>2013</td><td>$16,000</td></tr>
<tr><td>Individual and private donations (for the Surprise EFB Program)</td><td>2013</td><td>$118,236</td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td>Project Sustainability:
How will your organization continue providing these services if CDBG funds are not awarded next year?</td><td colspan="3">If CDBG funds are not awarded, St. Mary's will continue providing the services in Surprise by securing other sources of funding. We will request funds from foundations and corporations, through direct mail appeals, and through fundraising events. We also receive third party funding from agencies that conduct fundraising activities and then donate the proceeds. We operate a profitable social enterprise business called CK Catering, the proceeds of which go to support our programs. St. Mary's is a fiscally-sound nonprofit agency that annually raises all needed program and operations funding.</td></tr>
<tr><td>If your project is not fully funded, will your organization be able to implement project with partial funding?</td><td colspan="3">Yes. However, if the project were not fully funded, it would limit the amount of emergency food boxes that could be provided to Surprise residents in need. We are grateful for any amount of funding that the City of Surprise is able to provide, as each $7.50 granted is another food box distributed to a Surprise family in crisis.</td></tr>
<tr><th colspan="4">Project Timeline</th></tr>
<tr><td colspan="4">Project start date: <u>July 1, 2014</u> Project completion date: <u>June 30, 2015</u></td></tr>
<tr><td colspan="4">Applicants must provide a schedule for the Program that lists major activities and indicate when they will be executed. Additional information such as contractor selection, final inspection, loan closing, etc. should be included when known.</td></tr>
<tr><td colspan="4"></td></tr>
</table>

Program Schedule												
Major Program Activities:	**1st Quarter**			**2nd Quarter**			**3rd Quarter**			**4th Quarter**		
	(each box represents one month)											
Receive EFB orders from St. Mary's partner agencies	X	X	X	X	X	X	X	X	X	X	X	X
Have volunteers pack the emergency food boxes requested by the partner agencies	X	X	X	X	X	X	X	X	X	X	X	X
Distribute, or have the partner agencies pick up, the emergency food boxes	X	X	X	X	X	X	X	X	X	X	X	X
Food Box Distribution	X	X	X	X	X	X	X	X	X	X	X	X
Evaluate the program results			X			X			X			X

Proposed Budget

Specific Cost *Item/Description*	**CDBG Amount Requested**	**Other Funds Source**	**Other Funds Amount**	**Total Amount** *CDBG + Other Sources*
Food purchases for items needed for the food boxes, but not donated in sufficient quantity	$15,000	Individual, and other private donations	$8,353	$23,353
Vehicle expenses to pick up donated and purchased food and deliver emergency food boxes to Surprise partner agencies	$5,000	Individual, and other private donations	$6,757	$11,757
Program Personnel	$0	Foundation and corporate grants, individuals, and events	$56,714	$56,714
Occupancy	$0	Foundation and corporate grants, individuals, and events	$8,150	$8,150
Depreciation	$0	Foundation and corporate grants, individuals, and events	$10,174	$10,174
Education and Training	$0	Foundation and corporate grants, individuals, and events	$100	$100
Insurance	$0	Foundation and corporate grants, individuals, and events	$1,854	$1,854
Supplies and Equipment	$0	Foundation and corporate grants, individuals, and events	$2,387	$2,387
Packaging products	$0	Foundation and corporate grants, individuals, and events	$2,722	$2,722
Printing	$0	Foundation and corporate grants, individuals, and events	$100	$100
Program-related travel	$0	Foundation and corporate grants, individuals, and events	$435	$435
Professional Fees	$0	Foundation and corporate grants, individuals, and events	$125	$125
Other expenses	$0	Foundation and corporate grants, individuals, and events	$2,729	$2,729
Total	$20,000		$100,600	$120,600

Required Certifications for CDBG Public Services Activities Application

Signature of Agency Representative with Binding Authority below certifies the following statements:

- Organization has no conflict of interests with City of Surprise appointed or elected representatives and does not employ city appointed or elected representatives or their families.

- Organization will comply with federal requirements to be observed by organizations being funded with CDBG funds, including compliance with federal Labor Standards, Section 3, Segregated Facilities, Equal Opportunity, and Non-Discrimination. Section 109, Title VI and EO 11246. All requirements are described in 24 CFR 570 (CDBG Entitlement Grants).

- Authorized official certifies that this CDBG Public Services application package has been reviewed and all information provided in this application and attachments is true and correct.

- Sufficient funds are available from non-CDBG sources to complete the project, as described, if CDBG funds are allocated to the applicant.

B.P. Damore

Signature of authorized agency representative

January 16, 2014

Date:

Beverly Damore

Printed name

Chief Executive Officer

Title

St. Mary's Food Bank Alliance

Organization

their parents do not have enough money to feed them. In addition, the AARP reports that 175,000 Arizona seniors face hunger every day (AARP, 2012).

Hunger and poverty also are prevalent in Surprise -- one of the fastest growing cities in the U.S., and that soon will have a population of more than 500,000. Currently, nearly 27,000 Surprise residents live at or below 185% of the federal poverty level (Census, 2012). Elderly residents are disproportionally impacted by poverty. For example, while nearly 15% of residents live below the poverty level, a full 75% of women whose husbands have passed away live in poverty. Several cities surrounding Surprise also have high poverty rates, including 16.8% in Youngtown and 20.5% in El Mirage (Census, 2012).

The report, Hunger in Arizona & U.S. Reaches Crisis Levels in 2012, states, "In Arizona, one in four people are hungry and living in poverty." When people have limited funds, they are forced to choose between food and a car payment, food and medicine, or food and a utility bill. It is not surprising, then, that hunger remains an ever-increasing problem in our state. Children without sufficient food are significantly more likely to have poorer health status and experience more frequent stomachaches and headaches than well-fed children, according to a report by Feeding America and The ConAgra Foods Foundation. Food insecurity has a continuing negative impact on the cognitive and academic development of children as they grow older (Feeding, 2013). Food-insecure children learn at a slower rate, which leaves them further and further behind as they progress through the educational system, according to the Feeding America report. Chronic hunger among adults and seniors also negatively impacts them physically and mentally. Receiving fewer nutrients than they need can hinder their ability to live a full and active life and put them at increased risk of a range of chronic illnesses, including diabetes, hypertension, hyperlipidemia, and various cardiovascular illnesses (Feeding, 2013).

Through the Emergency Food Box (EFB) Program, St. Mary's provides individuals and families in crisis with a supply of nutritionally well-balanced food designed to last for three days, including fresh, refrigerated and frozen products. The program is very collaborative, as are all of St. Mary's programs and activities, in order to leverage resources and maximize impact on hungry Arizonans. St. Mary's works with approximately 300 partner agencies throughout Arizona. These include domestic violence shelters, dining halls, schools, churches, children's shelters, food pantries, halfway houses and senior centers. We provide the food that the people these agencies serve (i.e. children, seniors, homeless individuals, etc.) need to sustain themselves during difficult economic times. One example of collaboration is how St. Mary's recently partnered with a small food pantry in northern Arizona to provide emergency food boxes. St. Mary's received statewide and national media attention when it received a call in early October 2013 from Reverend Patrick Dotson of Grand Canyon Community Church. The clergyman runs a small food distribution center out of his home. But the need was too great for the church to handle when furloughed workers of Grand Canyon National Park sought help during the recent federal government shutdown. St. Mary's sent a semi-truck with 600 emergency food boxes for distribution to the 2,200 park employees, as well as the 1,200 hospitality workers from surrounding businesses affected by the closure. The truckload of boxes was followed by a St. Mary's mobile pantry distribution that included tons of fresh produce.

St. Mary's depends on a steady flow of donations of bread, produce and canned goods to serve its partner agencies. However, there is seldom enough nutrient-dense/high protein foods donated to meet the need, which then requires St. Mary's to purchase these items. A City of

Surprise grant will quantifiably increase and enhance the EFB Program by enabling St. Mary's to purchase the additional items needed so it can provide a sufficient quantity of nutritious food to more Surprise residents in need. Your funds will be leveraged by combining funding with the donated food received. As a member of Feeding America, St. Mary's meets high standards in food handling, accountability and inventory control. We also provide technical assistance to agencies and smaller food banks to help them meet these rigorous standards.

Attachment B

education. St. Mary's goal is to improve the nutritional status of hungry, low-income individuals and families in the state who need temporary food assistance. The vast majority of people served live at or below 185% of the federal poverty level. Receiving food assistance from St. Mary's takes a tremendous burden off of these families and enables them to better cope with the day-to-day pressures of their lives.

St Mary's conducts several similar programs to assist hungry Arizonans. These include:

- Agency Food Distribution Program, which provides food and supplies to partner agency sites for use in programs that serve low-income people.
- Kids Café, an after school program that provides meals to children before they go home.
- The Food Delivery Program for homebound seniors.
- Community Kitchen, a training and job placement program for low-income adults planning to work in the food service industry.
- Mobile Pantries that deliver fresh fruit and vegetables to families in the poorest Phoenix neighborhoods.
- Commodity Supplemental Food Program, which provides a USDA monthly food box to qualifying low-income children up to age six and seniors age 60+.

Recent accomplishments include:

- Distributing nearly 70 million pounds of food statewide, which was 9% more than the previous year and a 21% increase in the amount of food provided to people in rural areas of the state over the prior year.
- The Emergency Food Box Program provided 369,934 emergency food boxes to people in need (34.9%) of those receiving emergency food were children).
- St. Mary's Food Bank Alliance was recently named one of Arizona's Most Admired Companies by Arizona Business Magazine and BestCompaniesAZ. This prestigious award is based on employee, customer and community opinions.
- St. Mary's ranked number 100 on Forbes Magazine's annual list of the largest U.S. charities.

St. Mary's collaborates with a host of organizations, as community partnerships are an integral part of the program. As the largest food bank in the nation, St. Mary's has the capacity to receive and distribute large quantities of food. We partner with smaller nonprofit agencies that distribute food to their local clients and provide a deeper reach into the community. These agencies live in, and know, their community, so they are better able to take the food we provide and assist their clients and neighbors. In addition to our 330 partner agencies, these collaborators include:

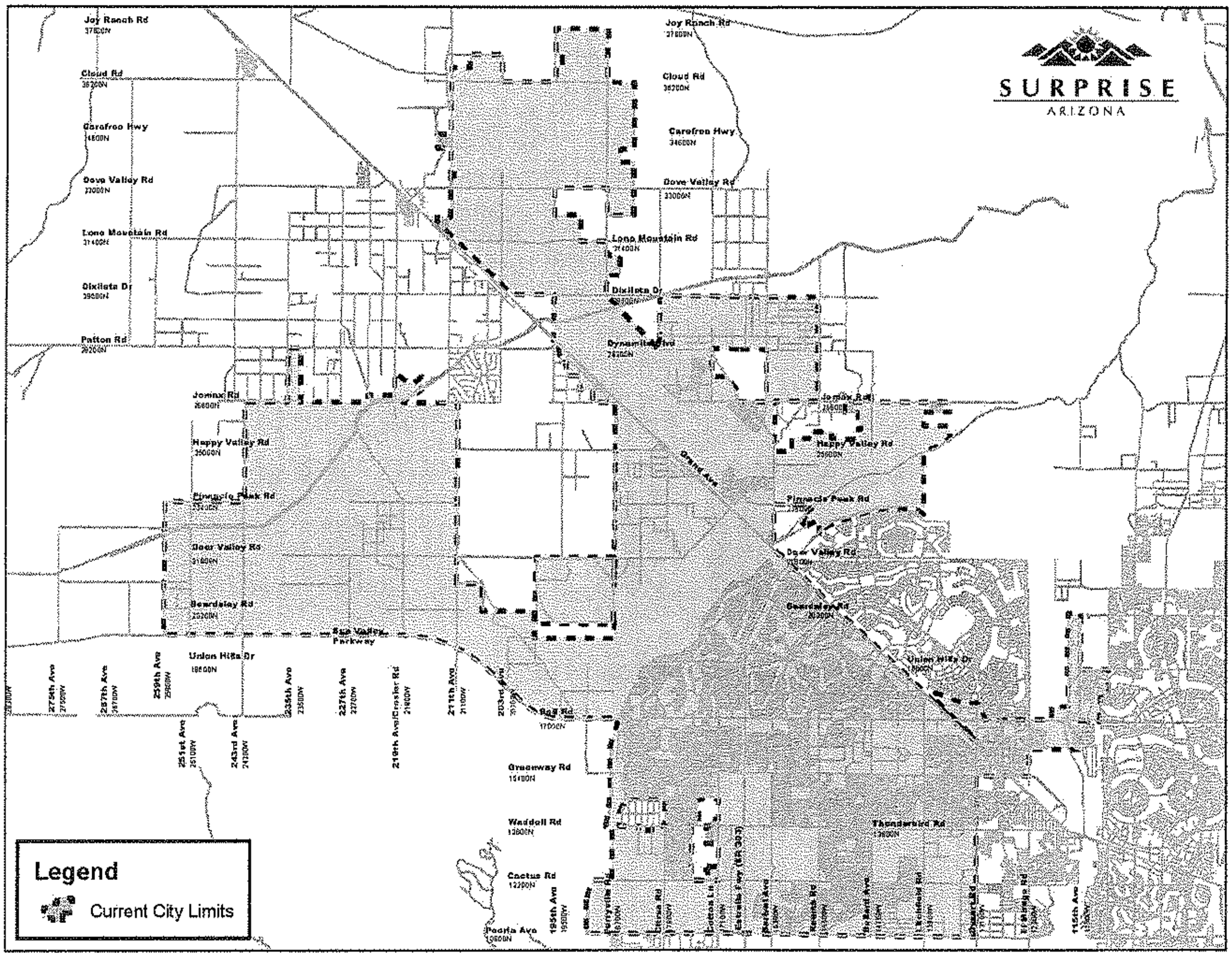
- The Emergency Food Assistance Program/USDA, which provides commodity foods for distribution to low-income people.
- Arizona Statewide Gleaning Project, which produce tons of citrus and other produce for distribution to low-income Arizonans.
- 330 Partner Agencies that distribute food received from St. Mary's in the form of meals, snacks, etc. to their low-income clients. Partner agencies include food

pantries, soup kitchens, day-care centers, youth programs, senior centers, and homeless and residential shelters.

- Local Grocery Stores, which donate thousands of pounds of food daily that St. Mary's picks up, sorts, and then delivers to its partner agencies.

Finally, St. Mary's has the experience and fiscal controls in place to manage and track the use of the City of Surprise and other grant funds. St. Mary's continually seeks out, and manages, grants from private foundations and corporations, as well as government grants. In addition, the agency manages a contract with the Arizona Department of Health Services for the Commodity Supplemental Food Program, a contract with the Arizona Department of Economic Security for Food Administration and contracts with First Things First for emergency food distribution.

Attachment C



IRS Department of the Treasury
Internal Revenue Service

P.O. Box 2508
Cincinnati OH 45201

In reply refer to: 0248467576
Oct. 03, 2012 LTR 4168C E0
23-7353532 000000 00
00018305
BODC: TE

ST MARYS FOOD BANK ALLIANCE
2831 N 31ST AVE
PHOENIX AZ 85009-1518

025148

Employer Identification Number: 23-7353532
Person to Contact: MS YATES
Toll Free Telephone Number: 1-877-829-5500

Dear TAXPAYER:

This is in response to your Sep. 24, 2012, request for information regarding your tax-exempt status.

Our records indicate that you were recognized as exempt under section 501(c)(3) of the Internal Revenue Code in a determination letter issued in MARCH 1974.

Our records also indicate that you are not a private foundation within the meaning of section 509(a) of the Code because you are described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

Please refer to our website www.irs.gov/eo for information regarding filing requirements. Specifically, section 6033(j) of the Code provides that failure to file an annual information return for three consecutive years results in revocation of tax-exempt status as of the filing due date of the third return for organizations required to file. We will publish a list of organizations whose tax-exempt status was revoked under section 6033(j) of the Code on our website beginning in early 2011.

0248467576
Oct. 03, 2012 LTR 4168C E0
23-7353532 000000 00
00018306

ST MARYS FOOD BANK ALLIANCE
2831 N 31ST AVE
PHOENIX AZ 85009-1518

If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely yours,

Richard McKee

Richard McKee, Department Manager
Accounts Management Operations

Consolidated Financial Statements
June 30, 2012 and 2011

St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation

EideBailly

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation
Phoenix, Arizona

We have audited the accompanying consolidated statement of financial position of St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation (nonprofit organizations) as of June 30, 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The prior year summarized comparative information has been derived from the financial statements of St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation as of June 30, 2011, and in our report dated October 20, 2011, we expressed an unqualified opinion on those financial statements.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statement of financial position and consolidating statement of activities is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidating statement of financial position and consolidating statement of activities 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 consolidated financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2012, on our consideration of St. Mary's Food Bank Alliance and St. Mary's Food Bank 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Eide Bailly LLP

Phoenix, Arizona
October 23, 2012

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	$ 2,816,606	$ 2,941,040
Inventories	7,431,653	9,467,089
Program and other receivables, net	590,451	691,777
Other current assets	170,398	111,839
Total current assets	11,009,108	13,211,745
Investments	8,076,443	6,033,168
Cash Restricted for Purchase of Equipment	8,760	8,760
Assets Restricted to Investment in Long-Term Purposes		
Pledges receivable, net	402,321	1,344,023
Property and Equipment, net	17,019,119	18,510,511
Total assets	$ 36,515,751	$ 39,108,207
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 598,786	$ 498,834
Accrued payroll expenses	282,171	229,523
Other accrued liabilities	372,948	385,439
Current maturities of gift annuities payable	26,832	28,277
Current maturities of capital lease obligations	230,714	230,714
Current maturities of notes payable	910,444	274,667
Total current liabilities	2,421,895	1,647,454
Gift annuities payable, less current maturities	249,916	245,982
Capital lease obligations, less current maturities	645,878	889,377
Notes payable, less current maturities	4,003,600	4,914,044
Total liabilities	7,321,289	7,696,857
Net Assets		
Unrestricted	20,963,623	24,302,234
Board designated	7,709,042	5,647,837
Total unrestricted	28,672,665	29,950,071
Temporarily restricted	515,797	1,455,279
Permanently restricted	6,000	6,000
Total net assets	29,194,462	31,411,350
Total liabilities and net assets	$ 36,515,751	$ 39,108,207

St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation

Consolidated Statements of Activities

Year Ended June 30, 2012 with Comparative Totals for the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Total 2011
Public Support					
Donated surplus food and commodities	$ 93,508,438	$ -	$ -	$ 93,508,438	$ 107,051,652
Community contributions	12,795,248	2,220	-	12,797,468	14,520,430
Governmental grants	3,982,967	-	-	3,982,967	966,996
Kid's Café	900,533	-	-	900,533	2,399,424
Source program	563,465	-	-	563,465	363,805
Shared maintenance fees	247,472	-	-	247,472	316,537
Food Value Club	236,769	-	-	236,769	65,757
CK Catering	42,251			42,251	
Community Kitchen	15,925	-	-	15,925	2,500
Miscellaneous revenue	12,985	-	-	12,985	3,699
	112,306,053	2,220	-	112,308,273	125,690,800
Net assets released from restrictions	941,702	(941,702)	-	-	-
Total public support	113,247,755	(939,482)	-	112,308,273	125,690,800
Expenses					
Program services					
Distributions	66,724,976	-	-	66,724,976	70,472,799
Emergency Box programs	29,259,332	-	-	29,259,332	33,919,976
Food Value Club	240,847	-	-	240,847	3,862,595
Kid's Café	1,721,605	-	-	1,721,605	915,399
Commodity supplemental food program	10,043,004	-	-	10,043,004	13,374,681
Source distribution	550,745	-	-	550,745	377,421
Community Kitchen	728,652	-	-	728,652	512,756
	109,269,161	-	-	109,269,161	123,435,627
Supporting services					
Fundraising and communications	2,756,221	-	-	2,756,221	2,645,792
Management and general	2,544,295	-	-	2,544,295	2,168,599
Total expenses	114,569,677	-	-	114,569,677	128,250,018
Change in Net Assets Before Nonoperating Activities	(1,321,922)	(939,482)	-	(2,261,404)	(2,559,218)
Nonoperating Activities					
Investment interest and dividends	167,956	-	-	167,956	123,540
Net realized and unrealized losses/(gains) on investments	(107,841)	-	-	(107,841)	149,430
Loss on sale of property and equipment	(224,378)	-	-	(224,378)	(376,250)
Other income	208,779	-	-	208,779	955,158
Total nonoperating activities	44,516	-	-	44,516	851,878
Change in Net Assets	(1,277,406)	(939,482)	-	(2,216,888)	(1,707,340)
Net Assets, Beginning of Year	29,950,071	1,455,279	6,000	31,411,350	33,118,690
Net Assets, End of Year	$ 28,672,665	$ 515,797	$ 6,000	$ 29,194,462	$ 31,411,350

	Distributions	Emergency Box Programs	Food Value Club	Kid's Café	Commodity Supplemental Food Program	Source Distribution
Salaries and Related Expenses	$ 3,419,658	$ 1,348,131	$ 25,672	$ 374,858	$ 281,966	$ 56,382
Food Purchases	722,331	1,201,968	183,231	925,561	40,417	447,983
Occupancy Costs	459,589	190,790	3,361	24,641	32,428	7,979
Donated Food Surplus	59,884,672	25,600,243	-	271,380	9,493,396	-
Education and Training	12,683	5,265	73	2,808	893	220
Fuel	372,619	154,677	2,155	12,038	26,315	6,469
Insurance	85,913	35,665	497	2,729	6,048	1,492
Supplies	-	-	-	2,121		
Other Expenses	66,143	9,042	7	1,663	6,933	378
Packaging Products	136,303	56,583	728	24,369	42,327	2,366
Postage/Mail	255	106	1	8	18	4
Printing	5,530	2,297	2,543	1,371	389	96
Professional Fees	66,519	27,614	385	3,397	4,683	1,155
Rental/Lease	207,489	86,793	1,209	6,640	14,718	3,630
Administration	110,475	52,464	14,190	7,383	9,187	2,194
Shipping and Freight						
Technology	26,461	10,985	153	1,388	2,349	459
Travel	31,018	12,876	179	5,001	2,281	539
Vehicle Costs	236,829	98,315	1,370	10,386	16,672	4,112
Total functional expenses before depreciation	65,844,487	28,893,814	235,754	1,677,742	9,981,020	535,458
Depreciation and Amortization	880,489	365,518	5,093	43,863	61,984	15,287
Total functional expenses	$ 66,724,976	$ 29,259,332	$ 240,847	$ 1,721,605	$ 10,043,004	$ 550,745

See Notes to Consolidated Financial Statements

Community Kitchen	Total Program Services	Fundraising and Communications	Management and General	Total Supporting Services	2012	2011
$ 455,282	$ 5,961,949	$ 1,414,609	$ 1,366,195	$ 2,780,804	$ 8,742,753	$ 7,814,164
16,483	3,537,974	149	-	149	3,538,123	2,839,506
6,696	725,484	14,825	4,937	19,762	745,246	1,169,247
90,461	95,340,152	-	-	-	95,340,152	110,198,754
12,594	34,536	5,995	18,369	24,364	58,900	68,303
124	574,397	516	784	1,300	575,697	489,104
-	132,344	6,704	29,593	36,297	168,641	241,960
11,901	14,022	1,419	15,865	17,284	31,306	108,726
30,597	114,763	576,819	117,612	694,431	809,194	979,800
159	262,835	12,480	-	12,480	275,315	319,479
-	392	258,270	17,279	275,549	275,941	411,642
4,085	16,311	97,178	8,049	105,227	121,538	640,745
530	104,283	46,410	421,064	467,474	571,757	298,079
-	320,479	-	12,012	12,012	332,491	20,906
14,295	210,188	194,794	80,006	274,800	484,988	
	-		-	-	-	3,366
2,081	43,876	70,852	393,406	464,258	508,134	470,704
1,700	53,594	29,455	35,958	65,413	119,007	107,345
-	367,684	-	130	130	367,814	719,904
646,988	107,815,263	2,730,475	2,521,259	5,251,734	113,066,997	126,901,734
81,664	1,453,898	25,746	23,036	48,782	1,502,680	1,348,284
$ 728,652	$ 109,269,161	$ 2,756,221	$ 2,544,295	$ 5,300,516	$ 114,569,677	$ 128,250,018

	2012	2011
Operating Activities		
Changes in net assets	$ (2,216,888)	$ (1,707,340)
Adjustments to reconcile changes in net assets to net cash from operating activities		
Depreciation and amortization	1,502,680	1,348,284
Change in discount on pledges receivable	(143,642)	(121,088)
Bad debt expense	-	35,000
Loss on disposal of property and equipment	224,378	376,350
Net realized and unrealized losses/(gains) on investments	107,841	(149,430)
Changes in operating assets and liabilities		
Inventories	2,035,436	2,745,154
Program and other receivables	31,326	(99,123)
Other current assets	(58,559)	134,204
Accounts payable	99,952	(586,860)
Accrued payroll expenses	52,648	78,988
Other accrued liabilities	(12,491)	49,570
Gift annuities payable	2,489	43,249
Net Cash from Operating Activities	1,625,170	2,146,958
Investing Activities		
Purchases of property and equipment	(1,156,518)	(1,890,900)
Proceeds from sale of property and equipment	920,852	100
Purchase of investments	(2,620,423)	(1,980,000)
Proceeds from sale of investments	469,307	641,829
Net Cash used for Investing Activities	(2,386,782)	(3,228,971)
Financing Activities		
Collections on contributions restricted to investment in long-term purposes	1,155,344	797,539
Payments on capital lease obligations	(243,499)	(237,055)
Proceeds from the issuance of notes payable	-	169,000
Payments on notes payable	(274,667)	(1,774,667)
Net Cash from (used for) Financing Activities	637,178	(1,045,183)
Net Change in Cash and Cash Equivalents	(124,434)	(2,127,196)
Cash and Cash Equivalents, Beginning of Year	2,941,040	5,068,236
Cash and Cash Equivalents, End of Year	$ 2,816,606	$ 2,941,040
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	$ 139,204	$ 206,917
Donated equipment	$ 54,247	$ -

Note 1 - Principal Business Activity and Significant Accounting Policies

Nature of Operations

St. Mary's Food Bank Alliance (the "Food Bank"), the world's first food bank, was established in 1967 in Phoenix, Arizona. The Food Bank is a community-based, not-for-profit corporation whose primary mission is to alleviate hunger through advocacy, education, and gathering and distributing food to those in need.

The Food Bank is supported by various sources including community donations, the United Way, and government funding. The Food Bank is committed to volunteerism, the building of community partnerships, and improving the quality of life for the entire community. The Food Bank's programs provide food to individuals and organizations. The Food Bank serves as a food clearing house for over 500 partner agencies. The Food Bank also works as an advocate for solutions to end hunger.

St. Mary's Food Bank Foundation (the "Foundation") is a 501(c)(3) entity established to facilitate the New Market Tax Credit financing and to provide a platform from which to enable the growth of the Food Bank's long-term reserves.

Principles of Consolidation

The consolidated financial statements include the accounts of the St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation (collectively, the "Organization"), financially interrelated organizations. All significant intercompany transactions and accounts have been eliminated in consolidation. The types of transactions that have been eliminated include advances between the entities and costs paid on behalf of another.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Organization considers all highly liquid assets with an initial maturity of three months or less to be cash equivalents. Cash collateral for certain debt is classified as investments. The Organization maintains cash at financial institutions, which, at times, may exceed federally insured amounts.

Inventories

Donated inventories are stated at the estimated value per pound as determined by Feeding America (formerly known as America's Second Harvest), the Nation's Food Bank Network, ("Feeding America") a national association of food banks, which provides assistance and valuation of food and grocery products. Purchased inventories are stated at the lower of cost, as determined using the first-in, first-out (FIFO) basis, or market value.

Investments

The Organization accounts for its investments in accordance with generally accepted accounting principles (GAAP). Under GAAP, the Organization is required to report investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair value is based on quoted market prices. Certificates of deposit are held to maturity and are carried at cost.

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 changes in risks in the near term would materially affect account balances and the amounts reported in the accompanying financial statements.

Contributions/ Unconditional Promises to Give

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Revenue Recognition

Shared maintenance fee revenue is recognized as services are provided. Food Value Club revenue consists of amounts charged to customers for food boxes. The Food Value Club allows the general public to purchase boxes of food for a 30 – 50% savings from retail value. Food Value Club revenue is recognized as goods are provided. Kid's Café is a program providing meals to disadvantaged children in an environment that is safe and accessible. Kid's Café revenue is recognized as goods are provided.

Program and Other Receivables

Program and other receivables consist primarily of program-related receivables. Program and other receivables are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and credit to program and other receivables.

Property and Equipment

Purchased property and equipment is recorded at cost. Additions, renewals, and betterments are capitalized, whereas expenditures for maintenance and repairs are charged to expense. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved and any gain or loss is included in operations. The Organization capitalizes assets with a basis of $500 or more and an estimated useful life of three years or more. Depreciation and amortization of property and equipment is computed on a straight-line basis over the following general range of estimated useful lives:

	Estimated Useful Lives
Building and improvements	20 - 40 years
Furniture, fixtures and equipment	3 - 10 years
Vehicles	5 - 10 years
Equipment held under capital leases	6 - 8 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Organization reviews its property and equipment whenever events indicate that the carrying value amount of the asset may not be recoverable. An impairment loss is recorded when the sum of the future cash flows is less than the carrying amount of the asset. An impairment loss is measured as the amount by which the carrying amount of the asset exceeds its fair value. No impairment charges were recorded for 2012 and 2011.

Donated Materials and Services

Donated materials and services are at their estimated fair value if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase if not provided by donation.

No amounts have been reflected in the accompanying financial statements for certain donated volunteer services because they did not qualify under GAAP; however, a substantial number of volunteers have donated over 390,500 and 310,900 hours in 2012 and 2011, respectively, in processing donated food as well in the Organization's other program services, fundraising campaigns, and administrative support.

Functional Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited based on pounds distributed per program, square footage, and payroll. Management and general include those expenses that are not directly identifiable with any specific program, but provide for the overall support and direction to the Organization.

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising charged to operations was $61,584 for 2012 and $52,561 for 2011.

Management's Use of Estimates

The preparation of 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.

Income Taxes

The Organization 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.

The Company evaluates its tax positions that have been taken or are expected to be taken on income tax returns to determine if an accrual is necessary for uncertain tax positions. As of June 30, 2012 and 2011, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred. The Company is no longer subject to Federal tax examination by tax authorities for years before 2009 and state examinations for years before 2008.

Fair Value Measurements

The Organization has determined the fair value of certain assets and liabilities in accordance with generally accepted accounting principles, which provides a framework for measuring fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques should maximize the use of observable inputs and minimize the use of unobservable inputs.

A fair value hierarchy has been established, which prioritizes the valuation inputs into three broad levels. Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Note 2 - Inventories

Inventories consisted of the following at June 30:

	2012	2011
Donated food inventory	$ 4,833,586	$ 3,707,077
Commodities inventory	1,733,415	4,992,359
Purchased food inventory	853,988	756,753
Other inventory	10,664	10,900
	$ 7,431,653	$ 9,467,089

The Organization received donated food from various private and public sources. In order to provide a measurable basis evaluating the primary mission of the Organization, management values food for purposes of including donated and distributed food as components of the accompanying financial statements. For the years ended June 30, 2012 and 2011, donated food of approximately 57,400,000 and 64,500,000 pounds, respectively, valued at a composite price of $1.66 per pound, is reflected in the accompanying statements of activities at $93,508,438 and $107,051,652, respectively. The composite price is the estimated weighted average wholesale amount per pound, as determined by Feeding America.

Shipping and handling costs for donated food are expensed as they are incurred, and are included in the accompanying consolidated statement of functional expenses. Donated food shipping and handling expenses were $316,581 and $590,060 for the years ended June 30, 2012 and 2011, respectively.

Donated food surplus expense included in the accompanying statement of functional expense, net of discarded spoiled food, is included in the following program services:

	2012	2011
Distributions	$ 59,884,672	$ 64,351,369
Emergency Box programs	25,600,243	30,863,097
Food Value Club	-	2,841,765
Kid's Café	271,380	57,250
Commodity supplemental food program	9,493,396	12,063,228
Community Kitchen	90,461	22,045
	$ 95,340,152	$ 110,198,754

Note 3 - Program and Other Receivables

Program and other receivables consisted of the following at June 30:

	2012	2011
Program	$ 570,325	$ 364,879
Grants and bequests receivables	-	306,798
Other receivables	40,126	40,100
Total other receivables	610,451	711,777
Less allowance for doubtful accounts	(20,000)	(20,000)
	$ 590,451	$ 691,777

Note 4 - Investments

Investments at fair value consisted of the following at June 30:

	2012	2011
Cash and money market funds	$ 2,947,285	$ 2,185,296
Mutual funds	4,505,452	3,258,018
Bond investments	623,706	589,854
	$ 8,076,443	$ 6,033,168

Investment income consisted of the following at June 30:

	2012	2011
Dividends and interest income	$ 167,956	$ 123,540
Net realized and unrealized gains/(losses) on investments	(107,841)	149,430
Total investment income (loss)	$ 60,115	$ 272,970

Expenses relating to investment income, including custodial fees and investment advisory fees, totaled $6,176 and $3,579 for the years ended June 30, 2012 and 2011, respectively, and are included in other expenses in the accompanying statement of functional expenses.

Note 5 - Split-Interest Agreements

The Organization is party to split-interest agreements classified as charitable gift annuities. Assets of the Organization that are derived from charitable gift annuities totaled $324,107 and $344,257 at June 30, 2012 and 2011, respectively, and are included within investments in the accompanying statement of financial position.

The Organization reports contribution support from split-interest agreements and the change in valuation of split-interest agreements in contributions in the accompanying statement of financial position.

Charitable gift annuities are arrangements between a donor and the Organization in which the donor contributes assets to the Organization in exchange for a promise from the Organization to pay the donor a fixed amount for a specified period of time. Assets received have been recognized at fair value, and an annuity payment liability has been recognized at the present value of the future cash flow expected to be paid. Unrestricted contribution revenue is recognized as the difference between these two amounts as the donor has placed no restriction on the Organization's use of its portion of the assets. To calculate the present value of the charitable gift annuity, the life expectancy tables (published annually by the Internal Revenue Service Treasury Department) and the Applicable Federal Rate ("AFR") of 4.01% were used. Charitable gift annuities are estimated to mature through 2039.

Note 6 - Pledges Receivable

During 2007, the Organization began a capital campaign to raise funds for improvements to and expansion of their facilities. The capital campaign had a total goal of $10 million, $3 million of which will be used for expansion of the Kid's Café program, $3.6 million for agency food distribution and $3.4 million for the Community Kitchen. During the year ended June 30, 2012, the capital projects were completed.

Pledges receivable consisted of unconditional promises to give as follows:

	2012	2011
Unconditional promises to give due in less than one year	$ 278,257	$ 457,378
Unconditional promises to give due in two to five years	207,023	983,246
Unconditional promises to give due in excess of five years	-	200,000
Total unconditional promises to give	485,280	1,640,624
Less discount to present value	(27,959)	(171,601)
Less allowance for doubtful pledges	(55,000)	(125,000)
Net unconditional promises to give	$ 402,321	$ 1,344,023

The estimated cash flows for pledges receivable are discounted over an eight-year collection period using a management determined discount rate of 4%.

Pledges receivable are stated at the amount management expects to collect. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based upon its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to unconditional pledges receivable.

Note 7 - Property and Equipment

Property and equipment consisted of the following at June 30:

	2012	2011
Land	$ 2,202,865	$ 2,646,890
Building and improvements	16,389,595	17,305,187
Furniture, fixtures and equipment	3,046,436	2,989,719
Vehicles	965,224	747,221
Equipment held under capital leases	1,875,740	1,875,740
Construction in progress	229,348	109,036
Total cost or donated value	24,709,208	25,673,793
Accumulated depreciation and amortization	(7,690,089)	(7,163,282)
	$ 17,019,119	$ 18,510,511

Depreciation and amortization expense charged to operations was $1,502,680 and $1,348,284 for the years ended June 30, 2012 and 2011, respectively.

The Organization leases warehouse and hauling equipment under capital leases expiring through 2015. The assets and liabilities under capital leases are recorded at the present value of the minimum lease payments. Accumulated depreciation and amortization includes amortization expense on hauling equipment held under capital leases of approximately $281,000 and $325,000 for the years ended June 30, 2012 and 2011, respectively.

Note 8 - Line of Credit

The Organization has a line of credit with an available borrowing limit of $2,000,000. The line of credit is collateralized by a deed of trust on property, inventory, and operating facilities. Interest is payable monthly at the one-month LIBOR (London Interbank Offered Rate) plus 350 basis points (3.795% at June 30, 2012). The line of credit matures on January 31, 2013. As of June 30, 2012 and 2011, there was no outstanding balance on this line of credit.

Note 9 - Capital Lease Obligations

Capital lease obligations consist of equipment leases, collateralized by the equipment, payable in monthly installments totaling approximately $27,000 including interest at 6% to 8%, with varying maturity dates through February 2016.

The obligations under capital leases reflect the present value of future rental payments, discounted at the interest rate implicit in the leases. The future minimum lease payments required under the capital leases at June 30, 2012 are as follows:

Years Ending June 30,	
2013	$ 316,638
2014	259,681
2015	257,242
2016	191,433
Total minimum lease payments	1,024,994
Less amount representing interest	(148,402)
Present value of future minimum lease payments	876,592
Less current maturities	(230,714)
Noncurrent portion	$ 645,878

Note 10 - Notes Payable

In connection with facilities expansion as noted in Note 7, the Organization obtained long-term financing. The notes payable consisted of the following at June 30:

	2012	2011
Note payable, bearing interest at 0.8143%, due in monthly interest-only payments of $2,602 until November 1, 2017 at which time a principal payment of $3,652,600 will be due. Beginning December 1, 2017, monthly interest-only payments of $124 will be due, with a balloon payment of $182,000 due on December 10, 2024. Collateralized by $1,259,957 of cash held in investments.	$ 3,834,600	$ 3,834,600
Note payable due in monthly principal payments of $22,889, plus interest at LIBOR plus 2.75%, subject to a floor of 4.50%, with a balloon payment being due October 28, 2012. Collateralized by property.	910,444	1,185,111
Mortgage payable, forgivable within ten years with repayment credits. Years 1-5 are forgiven at a rate of 0% and years 6-10 are forgiven at a rate of 20% annually. Collateralized by property.	169,000	169,000
	4,914,044	5,188,711
Less current portion	(910,444)	(274,667)
	$ 4,003,600	$ 4,914,044

Minimum future principal payments are as follows at June 30, 2012:

Years Ending June 30,	
2013	$ 910,444
2014	-
2015	-
2016	-
2017	-
Thereafter	4,003,600
	$ 4,914,044

Note 11 - Leases

The Organization leases office equipment and a building in Flagstaff, Arizona under operating lease agreements that expire through August 2017. Minimum future payments under these non-cancelable operating leases as of June 30, 2012 are as follows:

Years Ending June 30,	
2013	$ 246,772
2014	153,643
2015	106,656
2016	90,696
2017	90,696
Thereafter	7,558
Total minimum future rental payments	$ 696,021

In the normal course of business, operating leases are generally renewed or replaced by other leases. Total rental expense for operating leases with terms in excess of one month was approximately $202,000 for 2012 and $199,000 for 2011.

Note 12 - Employee Benefit Plan

The Food Bank sponsors a 401(k) retirement plan, which covers all employees who meet specified age and service requirements. An employee may contribute funds to the plan up to IRS limits and the Food Bank matches 100% of the employee's contribution up to 3% of their compensation. The Food Bank's matching contributions to the plan were $118,168 for 2012 and $101,434 for 2011.

Note 13 - Board Designated Unrestricted Net Assets

The Board of Directors has designated portions of the unrestricted net assets as an operating reserve.

Note 14 - Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of the following at June 30:

	2012	2011
Capital campaign receivables	$ 402,321	$ 1,344,023
Cash restricted for purchase of property and equipment	8,760	8,760
Eisenhower charitable trust	18,667	18,667
Purpose restrictions		
Community Kitchen	43,294	41,074
Affordable living houses	42,755	42,755
	$ 515,797	$ 1,455,279

Note 15 - Permanently Restricted Net Assets

Permanently restricted net assets consisted of the following at June 30:

	2012	2011
Robert S. and Esther E. Haldema endowment fund	$ 6,000	$ 6,000

Permanently restricted net assets consist of funds for which the donors stipulated the principal is to be maintained in perpetuity. The earnings and net appreciation on these funds are unrestricted.

Note 16 - Fair Value Measurements

There are three general valuation techniques that may be used to measure fair value, as described below:

1. Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
2. Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value during the years ended June 30, 2012 and 2011 using the market approach.

June 30, 2012	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and money market	$ 2,947,285	$ -	$ -	$ 2,947,285
Mutual funds:				
Bond funds	720,203	-	-	720,203
Large blend	1,262,213	-	-	1,262,213
Mid blend	123,001	-	-	123,001
Small blend	12,508	-	-	12,508
International	1,189,107	-	-	1,189,107
Large cap	49,537	-	-	49,537
Mid cap	257,662	-	-	257,662
Small cap	188,535	-	-	188,535
Mid Growth	190,871	-	-	190,871
Commodities broad basket	227,927	-	-	227,927
Real estate	283,888	-	-	283,888
Bond Investments:				
Financial	-	209,557	-	209,557
Oil and gas	-	109,346	-	109,346
Other	-	304,803	-	304,803
	$ 7,452,737	$ 623,706	$ -	$ 8,076,443

June 30, 2011	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Cash and money market	$ 2,185,296	$ -	$ -	$ 2,185,296
Mutual funds:				
Bond funds	574,659	-	-	574,659
Large blend	777,360	-	-	777,360
Mid blend	108,241	-	-	108,241
Small blend	12,684	-	-	12,684
International	943,973	-	-	943,973
Large cap	49,949	-	-	49,949
Mid cap	168,857	-	-	168,857
Small cap	123,600	-	-	123,600
Large growth	144,740	-	-	144,740
Commodities broad basket	151,534	-	-	151,534
Real estate	202,421	-	-	202,421
Bond Investments:				
Financial	-	203,224	-	203,224
Oil and gas	-	101,017	-	101,017
Other	-	285,613	-	285,613
	$ 5,443,314	$ 589,854	$ -	$ 6,033,168

Note 17 - Subsequent Events

The Organization has evaluated subsequent events through October 23, 2012, which is the date the consolidated financial statements were available to be issued.

Supplemental Information
June 30, 2012

St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation

St. Mary's Food Bank Alliance and St. Mary's Food Bank Foundation
Consolidating Statement of Financial Position
June 30, 2012

Assets	SMFBA	SMFB Foundation	Consolidating Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 2,764,981	$ 51,625	$ -	$ 2,816,606
Inventories	7,431,653	-	-	7,431,653
Program and other receivables, net	590,451	-	-	590,451
Due from SMFB Foundation	847,170	-	(847,170)	-
Other current assets	170,398	-	-	170,398
Total current assets	11,804,653	51,625	(847,170)	11,009,108
Investments	367,401	7,709,042	-	8,076,443
Cash Restricted for Purchase of Equipment	8,760	-	-	8,760
Assets Restricted to Investment in Long-Term Purposes				
Pledges receivable, net	402,321	-	-	402,321
Construction in progress	-	-	-	-
Property and Equipment, net	17,019,119	-	-	17,019,119
	$ 29,602,254	$ 7,760,667	$ (847,170)	$ 36,515,751
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$ 598,786	$ -	$ -	$ 598,786
Accrued payroll expenses	282,171	-	-	282,171
Due to St. Mary's Food Bank Alliance	-	847,170	(847,170)	-
Other accrued liabilities	372,948	-	-	372,948
Current maturities of gift annuities payable	26,832	-	-	26,832
Current maturities of capital lease obligations	230,714	-	-	230,714
Current maturities of notes payable	-	910,444	-	910,444
Total current liabilities	1,511,451	1,757,614	(847,170)	2,421,895
Gift annuities payable, less current maturities	249,916	-	-	249,916
Capital lease obligations, less current maturities	645,878	-	-	645,878
Notes payable, less current maturities	4,003,600	-	-	4,003,600
Total liabilities	6,410,845	1,757,614	(847,170)	7,321,289
Net Assets				
Unrestricted	22,669,612	(1,705,989)	-	20,963,623
Board designated	-	7,709,042	-	7,709,042
Total unrestricted	22,669,612	6,003,053		28,672,665
Temporarily restricted	515,797	-	-	515,797
Permanently restricted	6,000	-	-	6,000
Total net assets	23,191,409	6,003,053	-	29,194,462
	$ 29,602,254	$ 7,760,667	$ (847,170)	$ 36,515,751

	SMFBA	SMFB Foundation	Consolidating Eliminations	Total
Public Support				
Donated surplus food and commodities	$ 93,508,438	$ -	$ -	$ 93,508,438
Community contributions	12,797,468	2,316,241	(2,316,241)	12,797,468
Governmental grants	3,982,967	-	-	3,982,967
Kid's Café	900,533	-	-	900,533
Source program	563,465	-	-	563,465
Shared maintenance fees	247,472	-	-	247,472
Food Value Club	236,769	-	-	236,769
CK Catering	42,251	-	-	42,251
Community Kitchen	15,925	-	-	15,925
Miscellaneous revenue	12,985	-	-	12,985
Total public support	112,308,273	2,316,241	(2,316,241)	112,308,273
Expenses				
Program services				
Distributions	66,724,976	-	-	66,724,976
Emergency Box programs	29,259,332	-	-	29,259,332
Food Value Club	240,847	-	-	240,847
Kid's Café	1,721,605	-	-	1,721,605
Commodity supplemental food program	10,043,004	-	-	10,043,004
Source distribution	550,745	-	-	550,745
Community Kitchen	728,652	-	-	728,652
Grants to other non profits	2,316,241	-	(2,316,241)	-
	111,585,402	-	(2,316,241)	109,269,161
Supporting services				
Fundraising and communications	2,756,221	-	-	2,756,221
Management and general	2,459,146	295,149	(210,000)	2,544,295
Total expenses	116,800,769	295,149	(2,526,241)	114,569,677
Change in Net Assets Before Nonoperating Activities	(4,492,496)	2,021,092	210,000	(2,261,404)
Nonoperating Activities				
Investment interest and dividends	6,052	161,904	-	167,956
Net realized and unrealized losses on investments	(2,290)	(105,551)	-	(107,841)
Loss on sale of property and equipment	(224,378)	-	-	(224,378)
Other income	418,779	-	(210,000)	208,779
Total nonoperating activities	198,163	56,353	(210,000)	44,516
Change in Net Assets	(4,294,333)	2,077,445	-	(2,216,888)
Net Assets, Beginning of Year	27,485,742	3,925,608	-	31,411,350
Net Assets, End of Year	$ 23,191,409	$ 6,003,053	$ -	$ 29,194,462