

**Arizona Foundation for Legal Services and Education
Financial Statements and Independent Auditor's Report for the Years Ending
December 31, 2022 and 2021**

**Report on Schedule of Expenditures of Federal Awards and Reports
Required by Government Auditing Standards and the Uniform Guidance
For the Year Ended December 31, 2022**

Arizona Foundation for Legal Services and Education
December 31, 2022 and 2021
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Independent Auditor's Report

To the Board of Directors
Arizona Foundation for Legal Services and Education

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Arizona Foundation for Legal Services and Education (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Arizona Foundation for Legal Services and Education as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Arizona Foundation for Legal Services and Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of a Matter

As described in Note 1, the Company adopted Topic 842, Leases as of January 1, 2022. Prior period amounts have not been adjusted and continue to be reported in accordance with the Company's historic accounting under Topic 840, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Foundation for Legal Services and Education's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Arizona Foundation for Legal Services and Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Arizona Foundation for Legal Services and Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2023, on our consideration of Arizona Foundation for Legal Services and Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Arizona Foundation for Legal Services and Education's internal control over financial reporting and compliance.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

July 21, 2023

Financial Statements

Arizona Foundation for Legal Services and Education
Statements of Financial Position
December 31, 2022 and 2021

	2022	2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,373,966	\$ 726,248
Investments	-	43,427
Grants receivable, net	196,839	225,946
Pledges receivable, net	17,286	44,356
IOLTA receivable	400,000	55,000
Other receivable, net	90,441	122,910
Prepaid expenses	49,552	56,694
Total current assets	2,128,084	1,274,581
Non-current assets:		
Property and equipment, net	593,410	186,030
Pledges receivable, net of discount	18,796	19,188
Employee retention tax credit receivable	257,114	257,114
Restricted cash and investments		
Cash and cash equivalents	981,877	1,565,334
Investments	-	258,506
Total noncurrent assets	1,851,197	2,286,172
Total assets	\$ 3,979,281	\$ 3,560,753
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 25,355	\$ 43,673
Accrued liabilities	209,605	178,085
Deferred revenues	846,571	1,620,940
Lease liability - current	84,247	-
Note payable - current	-	37,020
Total current liabilities	1,165,778	1,879,718
Non-current liabilities:		
Lease liability - noncurrent	371,209	-
Note payable - noncurrent	-	262,980
Total noncurrent assets	371,209	262,980
Total liabilities	1,536,987	2,142,698
Net assets:		
Without donor restriction	2,153,537	1,095,770
With donor restriction	288,757	322,285
Total net assets	2,442,294	1,418,055
Total liabilities and net assets	\$ 3,979,281	\$ 3,560,753

See accompanying notes to the financial statements.

Arizona Foundation for Legal Services and Education
Statements of Activities
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, support, and gains:						
IOLTA	\$ 1,726,931	\$ -	\$ 1,726,931	\$ 642,366	\$ -	\$ 642,366
Federal and state grants	2,968,789	-	2,968,789	2,743,978	-	2,743,978
Contributions	342,400	11,981	354,381	301,825	8,498	310,323
SBA legal services contributions	125,000	-	125,000	132,548	-	132,548
Mock Trial registration and fees	27,600	-	27,600	28,680	-	28,680
SBA dues for pro bono	103,269	-	103,269	112,544	-	112,544
Pro Hac Vice	75,000	-	75,000	75,000	-	75,000
Program and fees	127,050	-	127,050	148,909	-	148,909
Working poor tax credit	-	-	-	-	-	-
Forgiveness of PPP loan debt	300,000	-	300,000	300,000	-	300,000
Employee retention tax credit revenue	-	-	-	257,114	-	257,114
Interest	15,996	14	16,010	5,176	3	5,179
Net gain (loss) on investments	(14,072)	(4,310)	(18,382)	(2,541)	8,986	6,445
Loss on sale of asset	-	-	-	(346)	-	(346)
Net assets released from restrictions	41,213	(41,213)	-	34,440	(34,440)	-
Total revenues, support, and gains	<u>5,839,176</u>	<u>(33,528)</u>	<u>5,805,648</u>	<u>4,779,693</u>	<u>(16,953)</u>	<u>4,762,740</u>
Expenses and losses:						
Program services:						
Legal services	3,291,684	-	3,291,684	2,986,659	-	2,986,659
Law related education	1,118,285	-	1,118,285	1,105,663	-	1,105,663
Support services:						
Management and general	280,268	-	280,268	271,316	-	271,316
Fundraising	91,172	-	91,172	63,789	-	63,789
Total expenses	<u>4,781,409</u>	<u>-</u>	<u>4,781,409</u>	<u>4,427,427</u>	<u>-</u>	<u>4,427,427</u>
Change in net assets	1,057,767	(33,528)	1,024,239	352,266	(16,953)	335,313
Net assets, beginning of year	1,095,770	322,285	1,418,055	743,504	339,238	1,082,742
Net assets, end of year	<u>\$ 2,153,537</u>	<u>\$ 288,757</u>	<u>\$ 2,442,294</u>	<u>\$ 1,095,770</u>	<u>\$ 322,285</u>	<u>\$ 1,418,055</u>

See accompanying notes to the financial statements.

Arizona Foundation for Legal Services and Education
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022					
	Program Services			Supporting Services		
	Law Related Education	Legal & Technology Services	Total Program	Management and General	Fundraising	Total
Salaries	\$ 608,385	\$ 752,668	\$ 1,361,053	\$ 131,422	\$ 52,841	\$ 1,545,316
Employee benefits	100,063	107,612	207,675	21,621	6,435	235,731
Payroll taxes	45,161	55,428	100,589	9,494	3,617	113,700
Total payroll and related	753,609	915,708	1,669,317	162,537	62,893	1,894,747
Other expenses						
Grantee assistance	79,727	1,778,840	1,858,567	-	-	1,858,567
Professional services	168,441	430,274	598,715	45,871	6,157	650,743
Facility and equipment rentals	46,198	48,423	94,621	17,636	1,850	114,107
Travel and Training	2,854	6,210	9,064	10,018	12,259	31,341
Gifts and awards	18,377	4,301	22,678	5,002	3,421	31,101
Dues and memberships	4,824	14,395	19,219	15,386	147	34,752
Depreciation	13,345	44,794	58,139	2,288	631	61,058
Communication	14,166	15,618	29,784	2,303	700	32,787
Supplies and equipment	10,106	13,501	23,607	4,315	746	28,668
Printing and postage	6,638	19,620	26,258	1,714	2,368	30,340
Insurance	-	-	-	13,198	-	13,198
Total functional expenses	\$ 1,118,285	\$ 3,291,684	\$ 4,409,969	\$ 280,268	\$ 91,172	\$ 4,781,409

See accompanying notes to the financial statements.

Arizona Foundation for Legal Services and Education
Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

(continued)

	2021					
	Program Services			Supporting Services		
	Law Related Education	Legal & Technology Services	Total Program	Management and General	Fundraising	Total
Salaries	\$ 596,003	\$ 707,624	\$ 1,303,627	\$ 146,652	\$ 49,009	\$ 1,499,288
Employee benefits	72,906	69,039	141,945	15,290	3,421	160,656
Payroll taxes	43,426	48,696	92,122	10,178	3,159	105,459
Total payroll and related	712,335	825,359	1,537,694	172,120	55,589	1,765,403
Other expenses						
Grantee assistance	102,389	1,857,528	1,959,917	-	-	1,959,917
Professional services	182,175	178,593	360,768	38,547	1,645	400,960
Facility and equipment rentals	45,157	46,461	91,618	10,997	2,045	104,660
Travel and Training	-	588	588	1,684	69	2,341
Gifts and awards	13,110	4,620	17,730	4,615	3,064	25,409
Dues and memberships	3,132	20,951	24,083	18,185	50	42,318
Depreciation	11,127	11,448	22,575	2,169	503	25,247
Communication	14,731	16,796	31,527	2,525	685	34,737
Supplies and equipment	13,504	13,670	27,174	3,291	-	30,465
Printing and postage	8,003	10,645	18,648	4,138	139	22,925
Insurance	-	-	-	13,045	-	13,045
Total functional expenses	\$ 1,105,663	\$ 2,986,659	\$ 4,092,322	\$ 271,316	\$ 63,789	\$ 4,427,427

See accompanying notes to the financial statements.

Arizona Foundation for Legal Services and Education
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,024,239	\$ 335,313
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	61,058	25,247
Amortization of lease	86,720	-
Forgiveness of PPP loan debt	(300,000)	(300,000)
Net unrealized losses (gains) on investments	18,382	(6,445)
Changes in operating assets and liabilities		
IOLTA receivable	(345,000)	(2,000)
Grants receivable	29,107	244,567
Pledges receivable	27,462	10,438
Employee retention tax credit receivable	-	(257,114)
Other receivable	32,469	(87,688)
Prepaid expenses	7,142	23,205
Accounts payable	(18,318)	(16,916)
Accrued expenses	31,520	(7,693)
Deferred revenue	(774,369)	(772,587)
Net cash used by operating activities	<u>(119,588)</u>	<u>(811,673)</u>
Cash flows from investing activities:		
Net (purchase) sale of investments	283,551	2,091,001
Purchases of equipment	(20,382)	(38,328)
Net cash provided (used) by investing activities	<u>263,169</u>	<u>2,052,673</u>
Cash flows from financing activities:		
Payments on lease liability	(79,320)	-
Proceeds from issuance of notes payable	-	300,000
Net cash provided (used) by investing activities	<u>(79,320)</u>	<u>300,000</u>
Net increase (decrease) in cash and cash equivalents	64,261	1,541,000
Cash and cash equivalents, beginning of year	<u>2,291,582</u>	<u>750,582</u>
Cash and cash equivalents, end of year	<u>\$ 2,355,843</u>	<u>\$ 2,291,582</u>

During the year ended December 31, 2022, capital asset additions totaling \$534,776 were acquired by issuance of lease liability.

Interest expense on lease liabilities was \$14,959 for the year ending December 31, 2022.

See accompanying notes to the financial statements.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 1 - Operations and Summary of Significant Accounting Policies

Nature of the Organization - Arizona Foundation for Legal Services and Education ("Foundation") is a public nonprofit Arizona corporation that was founded in 1978 with the mission of "promoting access to justice for all Arizonans" through the provision of technical and financial assistance to legal service providers and education entities and through partnerships and work with judges, attorneys, educators, and all those committed to equal access to justice. The Foundation has been determined exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

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

Basis of Presentation - The financial statements of the Foundation have been prepared in accordance with U.S. Generally accepted accounting principles (US GAAP).

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

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

Estimates – The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Pledges Receivable – Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the Foundation is notified of the commitment. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Unconditional pledges from program campaigns are recorded as temporarily restricted support when received due to donor time restrictions. Payments received on such pledges are recognized simultaneously as an increase in unrestricted net assets and a decrease in temporarily restricted net assets.

Property and Equipment – Property and equipment are stated at cost, if purchased, or at fair market value, if donated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and equipment	4–7 years
Computer hardware	3–5 years
Computer software	4–5 years

The Foundation has a capitalization policy of \$1,000 for property and equipment.

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

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

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

Subsequent Events - Subsequent events were evaluated by management through July 21, 2023, the date on which the financial statements were available to be issued.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Revenue Recognition:

IOLTA revenues - The IOLTA program was created in 1984 by a rule of the Supreme Court of Arizona. This rule requires all lawyers who receive client funds in Arizona to maintain an interest-bearing trust account. The net interest earnings on these accounts are remitted to the Foundation. These earnings are to be used solely for the following purposes: to pay the actual administrative costs of this interest or earnings on lawyers' trust accounts (IOLTA) program; to fund programs designated to assist in the delivery of legal services to the poor; to support law-related education programs designed to teach young people, educators, and other adults about the law, the legal process, and the legal system; to fund studies or programs designed to improve the administration of justice; and to maintain a reasonable reserve therefor. The revenues are recognized in the period that the interest is earned. The receivable balance is estimated based on expected returns.

Federal and state grants - The Foundation receives various federal and state grant revenues. The Foundation recognizes grant revenue as expenses are incurred. Based on the nature of these contracts, government fees and grants are recognized as revenue in the financial statements utilizing the contribution guidance in Topic 958.

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

Mock trial and program fees - The Foundation receives fees for services provided to program participants. Related revenues are recognized in the period the programs are implemented.

Pro Hac Vice and SBA dues for pro bono - The Foundation receives a portion of fees paid by attorneys to the Arizona State Bar. The fees are collected by the Bar and passed through to the Foundation and are provided to legal service organizations. The revenues are recognized by the Foundation in the period the fees are due.

Employee retention tax credit - Employee retention credits act as fully refundable credits against the Foundation's portion of Social Security taxes based on the amount of qualified wages that the Foundation has incurred. The credits are recognized at the time eligibility is determined. Laws and regulations concerning government programs, including the Employee Retention Credit established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to varying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. The Foundation scrupulously evaluated the eligibility criteria and requirements and trusts the credit is allowable. However, there can be no assurance that regulatory authorities will not challenge the Foundation's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the Foundation.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

PPP loan forgiveness: During fiscal year 2022 the Foundation received full forgiveness of its second PPP loan. The revenues were recognized at the time the loan forgiveness was approved.

Donated Materials and 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 Foundation. Volunteers also donated significant amounts of their time in the Foundation's program services.

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

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

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

Recently Issued Accounting Standards -

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) amending the accounting for leases. The Foundation adopted the new standard effective January 1, 2022, using the modified retrospective approach. Comparative prior periods were not adjusted upon adoption as the Foundation utilized the practical expedient available under the guidance. Further, the Foundation elected to implement the package of practical expedients, whereby the Foundation did not (i) reassess existing contracts for embedded leases, (ii) reassess existing lease agreements for finance or operating classification, or (iii) reassess existing lease agreements in consideration of initial direct costs. The implementation of this standard did not have a material impact to the statements of income and retained earnings and cash flows.

Upon adoption, the Foundation recognized \$534,776 in right-of-use ("ROU") assets related to its leased office space. Corresponding lease liabilities of \$534,776 were also recognized. There was no cumulative effect of applying the new standard and accordingly, there was no adjustment to retained earnings upon adoption.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 2 – Availability and Liquidity

The following represents the Foundation’s financial assets at December 31, 2022 and 2021:

Financial assets at year end:	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,355,843	\$ 2,291,582
Investments	-	301,933
Grants receivable	196,839	225,946
Pledges receivable, net - current	17,286	44,356
IOLTA receivable	400,000	55,000
Employee retention tax credit receivable	257,114	257,114
Other receivable, net	90,441	122,910
Less contractual or donor-imposed restrictions:		
Restricted by donors with purpose restrictions	(288,757)	(322,285)
Contractually restricted advance funding	(846,571)	(1,620,940)
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,182,195</u>	<u>\$ 1,355,616</u>

The Foundation’s goal is generally to maintain financial assets to meet 30 days of total expenses (approximately \$200,000). As part of its liquidity plan, the Foundation maintains the majority of its short-term assets in cash accounts, short-term investments and short-term receivables.

Note 3 – Concentrations of Credit Risk

Financial Instruments which potentially subject the Foundation to concentrations of credit risk consist of cash deposits and investments with financial institutions.

Cash deposits with banks 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. In order to mitigate these risks, the Foundation spreads funds out into multiple financial institutions, participates in an Insured Cash Sweep account and ensures balances are in government backed securities or fully FDIC insured. At December 31, 2022, the Foundation had cash on hand of \$250 and the carrying amount of the Foundation’s deposits was \$2,355,593 with a bank balance of \$2,358,621. The bank balance was fully insured by FDIC/SIPC at December 31, 2022. At December 31, 2021, the Foundation had cash on hand of \$250 and the carrying amount of the Foundation’s deposits was \$2,291,332 with a bank balance of \$2,298,816. The bank balance was fully insured by FDIC/SIPC at December 31, 2021.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Investments and cash held by the brokerage firm are protected up to their net equity value by a combination of coverage provided by Securities Investor Protection Corporation and additional protection purchased from a private insurer by the brokerage firm. 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.

Note 4 – Cash and Cash Equivalents

At year end, cash and cash equivalents consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating cash and cash equivalents		
Cash on hand	\$ 250	\$ 250
Cash in bank	2,068,242	2,017,362
Total operating cash and cash equivalents	<u>2,068,492</u>	<u>2,017,612</u>
Cash and cash equivalents held for investment purposes		
Cash in bank	1,869	273,735
U.S. Treasury bills	285,248	-
Money market mutual fund	234	235
Total cash and cash equivalents held for investments	<u>287,351</u>	<u>273,970</u>
Total cash and cash equivalents	<u>\$ 2,355,843</u>	<u>\$ 2,291,582</u>

Note 5 – Pledges Receivable

Pledges receivable at December 31, 2022 and 2021 represent unconditional promises to give as follows:

	<u>2022</u>	<u>2021</u>
Receivable in less than one year	\$ 17,286	\$ 44,356
Receivable in one to five years	21,059	21,446
Total pledges receivable, gross	38,345	65,802
Less discount for long-term pledges	(2,263)	(2,258)
Pledges receivable, net	<u>36,082</u>	<u>63,544</u>
Current	17,286	44,356
Long-term	18,796	19,188
Total pledges receivable	<u>\$ 36,082</u>	<u>\$ 63,544</u>

Long-term pledges are discounted to present value using discount rates provided by the IRS annually and are between 1.2% and 5.2%. The discounts will be recognized as contribution revenue over future years.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 6 – Cash and Investments

The Board has earmarked unrestricted cash and investments to be invested to provide income for a long but unspecified period. Certain cash and investments are restricted for specified purposes, included amounts reported as deferred revenue relating to the Bank of America settlement discussed in Note 8. The Foundation has reported \$981,877 and \$1,823,840 of restricted cash and investments at December 31, 2022 and 2021, respectively.

The Foundation 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2022 and 2021.

Mutual funds - Valued at the net asset value (NAV) of shares held by the Foundation at year-end.

Corporate bonds, U.S. Treasury bills, and equities - Valued at the closing price reported on the active market on which the individual securities are traded.

Negotiable Certificates of deposit - Valued at fair value based on quoted prices of certificates of deposit for the same financial instruments or compared to financial instruments with similar interest rates, maturity, and credit worthiness.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

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 the Foundation 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 determination of where assets and liabilities fall within this hierarchy is based upon the lowest level of input that is significant to the fair value measure. These classifications (Level 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of the future contracts and are not necessarily an indication of risk or liquidity. The fair values of the Foundation's financial assets that are measured on a recurring basis as of December 31, 2022 and 2021 are as follows:

	<u>Hierarchy Level</u>	<u>2022</u>	<u>2021</u>
Cash in bank		\$ 1,869	\$ 273,735
Money market mutual funds	Level 1	234	235
U.S. Treasury bills	Level 1	285,248	-
Total cash and cash equivalents		<u>287,351</u>	<u>273,970</u>
Negotiable certificates of deposit	Level 2	-	246,680
Corporate bonds	Level 2	-	-
Corporate equities	Level 1	-	9,893
Equity mutual funds	Level 1	-	45,360
Total reported investments		<u>-</u>	<u>301,933</u>

Note 7 – Property and Equipment

Property and equipment consisted of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cost or donated value		
Work in progress	\$ -	\$ 109,708
Leasehold improvements	19,576	19,576
Furniture and equipment	84,899	83,785
Computer hardware	162,806	160,032
Computer software	212,234	88,128
Right of use asset - office space	534,776	-
Total cost or donated value	<u>1,014,291</u>	<u>461,229</u>
Accumulated depreciation/amortization	(420,881)	(275,199)
Property and equipment, net	<u>\$ 593,410</u>	<u>\$ 186,030</u>

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 8 – Note Payable

	2022	2021
In February 2021 the Foundation entered into a loan agreement with National Bank of Arizona through the Paycheck Protection Program with an original principal amount of \$300,000, maturing in 2026. The funds were used for purposes authorized the Paycheck Protection Program Act. The loan has an annual interest rate of 1% with interest accruing immediately. The loan was forgiven in July 2022.	-	300,000
Less: current portion	-	(37,020)
Long-term portion	\$ -	\$ 262,980

Note 9 – Deferred Revenue

As a result of a Justice Department Settlement with Bank of America executed in 2014, the Foundation received \$8,738,233 in 2016. The funds received from the settlement are required to be used in providing funds to legal aid organizations in the state of Arizona for foreclosure prevention legal assistance and community redevelopment legal assistance. The Foundation awarded grants of \$847,769 and \$705,384 during fiscal year 2022 and 2021 respectively, which meet the requirements of the award, at which time the respective revenue was recognized and included in contract revenue in the statement of activities. Management has evaluated this involuntary settlement and determined that the Foundation is carrying out specific requirements on behalf of Bank of America. As a result, deferred revenue of \$729,202 and \$1,565,344 is reported in the statements of net position for the unspent portion of these amounts at December 31, 2022 and 2021, respectively.

Deferred revenue consisted of the following at December 31:

	2022	2021
Unspent Bank of America Settlement funds	\$ 729,202	\$ 1,565,334
Unearned grants and contracts revenue	117,369	55,606
Total deferred revenue	\$ 846,571	\$ 1,620,940

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 10 – Net Assets with Donor Restrictions

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

	<u>2022</u>	<u>2021</u>
Purpose restrictions		
Memorial fund-		
Jonathan Schubert	\$ 162,235	\$ 165,023
John J. Ross	73,597	76,361
John Sticht	12,162	12,371
Frank Fanning	3,159	3,438
Kathleen Masters	622	633
Georgia Ellexson	900	915
Total memorial fund	<u>252,675</u>	<u>258,741</u>
Total purpose restrictions	<u>252,675</u>	<u>258,741</u>
Time restrictions		
Pledges receivable for unrestricted purposes	<u>36,082</u>	<u>63,544</u>
Total time restrictions	<u>36,082</u>	<u>63,544</u>
Total net assets with donor restrictions	<u>\$ 288,757</u>	<u>\$ 322,285</u>

Net assets were released from restrictions for the years ended December 31 as follows:

	<u>2022</u>	<u>2021</u>
Purpose restrictions met	\$ 1,756	\$ 15,500
Time restrictions met	<u>39,457</u>	<u>18,940</u>
	<u>\$ 41,213</u>	<u>\$ 34,440</u>

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 11 – Donated Services

The value of donated services included as contributions in the financial statements and the corresponding program expenses for years ended December 31, 2022 and 2021, were as follows:

	<u>2022</u>	<u>2021</u>
Administrative	\$ 10,913	\$ 6,506
Fundraising	633	-
Legal services		
Legal services and assistance	170,855	26,550
Technology	14,136	28,818
Outreach-hotline	1,988	10,919
Law related education		
Law related education	18,511	14,023
Mock trial	31,442	21,334
Project citizen	172	19,262
Kids voting AZ	3,320	1,032
We the people	23,606	15,953
Total donated services	<u>\$ 275,576</u>	<u>\$ 144,397</u>

Note 12 – Retirement Plan

During 2007, the Foundation formed a 401(k) retirement plan exclusive to the Foundation. In prior years, the Foundation employees were covered under a defined contribution plan sponsored by the State Bar of Arizona and a 401(k) plan, also administered by the State Bar of Arizona. Under the new plan, employees are eligible for enrollment after being employed at the Foundation for at least six months and may enter the plan in January or July after the service requirement has been met. Vesting of employer contributions is 20% after two years, 40% after three years, 60% after four years, and 100% after five years of service. Employee contributions are always fully vested.

The Foundation, at its sole discretion, contributes on behalf of each eligible participant in the plan an amount equal to 7.0% of the participant's compensation to the federal social security wage limit. After the wage limit is met, the Foundation contributes an additional 5.7% of each eligible participant's compensation in excess of the wage limit. The Foundation contributed \$89,670 to the plan during the year ended December 31, 2022 and had no contributions for the year ended December 31, 2021.

Arizona Foundation for Legal Services and Education
Notes to the Financial Statements
December 31, 2022 and 2021

Note 13 - Related Party Lease Liability

The Foundation currently leases 4,962 square feet of office space from the State Bar of Arizona under a 10-year operating lease agreement, which went into effect February 1, 2018. Because the rates implicit in the leases are generally not available, the Foundation utilizes its incremental borrowing rate as the discount rate of 3 percent annual interest.

The future minimum payments required under the operating lease at December 31, 2022, were as follows:

	<u>Lease Liability</u>	<u>Interest</u>	<u>Total</u>
Years ending December 31,			
2023	\$ 84,034	\$ 12,517	\$ 96,551
2024	86,803	9,956	96,759
2025	89,444	7,315	96,759
2026	92,164	4,595	96,759
2027	94,967	1,792	96,759
Thereafter	8,044	20	8,064
Total minimum lease payments	<u>\$ 455,456</u>	<u>\$ 36,195</u>	<u>\$ 491,651</u>

Single Audit Section

Auditor's Section

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

To the Board of Directors
Arizona Foundation for Legal Services and Education

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 Arizona Foundation for Legal Services and Education ("Foundation"), which comprise the statement of financial position as of December 31, 2022, 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 July 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Snyder & Brown CPAs, PLLC

Tempe, Arizona

July 21, 2023

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

To the Board of Directors
Arizona Foundation for Legal Services and Education

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

We have audited the Arizona Foundation for Legal Services and Education's ("Foundation") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2022. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Arizona Foundation for Legal Services and Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Arizona Foundation for Legal Services and Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Arizona Foundation for Legal Services and Education's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Arizona Foundation for Legal Services and Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Arizona Foundation for Legal Services and Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Arizona Foundation for Legal Services and Education, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Arizona Foundation for Legal Services and Education, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Arizona Foundation for Legal Services and Education, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Snyder & Brown CPAs, PLLC

Tempe, Arizona

July 21, 2023

**Arizona Foundation for Legal Services and Education
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No (None reported)
Type of auditor's report issued on compliance for major programs?	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 500.516(a)?	No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Other Matters

Auditee's summary schedule of prior audit findings	No
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**Arizona Foundation for Legal Services and Education
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Auditee's Section

**Arizona Foundation for Legal Services and Education
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

<u>Federal Grantor/ Pass Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
U.S. Department of Treasury			
Passed through Maricopa County, Arizona -			
Coronavirus State and Local Fiscal Recovery Funds	21.027	C-73-22-060-X-00	\$ 200,000
Total U.S. Department of Treasury			<u>200,000</u>
U.S. Department of Education			
Passed through the Center for Civic Education -			
Project Citizen Research Program			
Grant Program	84.367D	CG4XQZ5LK6B8	12,349
Total U.S. Department of Education			<u>12,349</u>
U.S. Department of Health and Human Services			
Passed through the Arizona Department of Economic			
Security -			
Temporary Assistance for Needy Families	93.558	ADES18-202037	1,019,220
Total U.S. Department of Health and Human Services			<u>1,019,220</u>
Total expenditures of federal awards			<u>\$ 1,231,569</u>

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

**Arizona Foundation for Legal Services and Education
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Note 1 - Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Arizona Foundation for Legal Services and Education (“Foundation”) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2 - Assistance Listing Number

The program titles and assistance listing numbers were obtained from the federal or pass-through grantor or the 2022 assistance listing.

Note 3 - Temporary Assistance for Needy Families block grant

The Temporary Assistance for Needy Families (TANF) block grant is authorized by the federal government and provides federal assistance to states to operate their own programs designed to help low-income families. The TANF block grant is managed by the U.S. Department of Health and Human Services (DHHS). The Arizona Department of Economic Security (DES) is responsible for the administration of Arizona’s state operated TANF program as outlined in Arizona’s State Plan for TANF. The Arizona State Plan for TANF is a written document submitted to DHHS which outlines the State of Arizona’s plan for administering the TANF program in a manner that conforms to the federal requirements. As defined in the Arizona State Plan for TANF, the Foundation receives TANF financial assistance through DES to operate a statewide system of legal and lay-legal advocacy services to victims of domestic violence and their children.

Note 4 - Reporting of Commingled Financial Assistance

States receiving federal TANF funding are required to spend their own state dollars in order to meet required maintenance of effort (MOE) levels. The amount reported on the Foundation’s Schedule of Expenditures of Federal Awards as TANF program expenditures contains both the TANF federal block award dollars and Arizona state MOE appropriations.

Note 5 - Subrecipients

As stated in the TANF block grant, a percentage of TANF funds are allocated to the Foundation to mitigate the Foundation’s costs associated with administering the program; all other award dollars are passed through directly to qualified subrecipients. Total funds passed through for 2022 were as follows:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Provided to Subrecipients</u>
Temporary Assistance for Needy Families	93.558	\$ 987,177

Note 6 - Indirect Costs

The Foundation elected not to use the 10 percent de minimis indirect cost rate.