

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA

**AUDITED FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS AND SCHEDULES**
Years ended June 30, 2021 and 2020



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
AUDITED FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS AND SCHEDULES
Years ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Women's Foundation of Southern Arizona
Tucson, Arizona

I have audited the accompanying financial statements of Women's Foundation of Southern Arizona , which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Foundation of Southern Arizona as of June 30, 2021 and 2020, 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.

Other matters

My audit was performed for the purpose of forming an opinion on the financial statements of Women's Foundation of Southern Arizona taken as a whole. The accompanying schedule of expenditures of federal awards on page 27, 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 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 my 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*, I have also issued my report dated January 19, 2022 on my consideration of Women's Foundation of Southern Arizona's internal control over financial reporting and on my 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 my 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 Women's Foundation of Southern Arizona's internal control over financial reporting and compliance.

A handwritten signature in dark ink that reads "Jennifer J. Phillips, CPA, PLLC". The signature is written in a cursive, flowing style.

JENNIFER J. PHILLIPS, CPA, PLLC

Tucson, Arizona
January 19, 2022

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,655,529	\$ 2,137,707
Operating investments - Notes 5 and 9	1,686,123	505,876
Pledges receivable - Notes 4 and 9	44,130	471,161
Other receivables	11,559	4,605
Prepaid expenses and other assets	2,269	-
Furniture and equipment, net of accumulated depreciation of \$2,248 for both years	-	-
Cash and cash equivalents held for others	32,718	21,255
Endowments:		
Cash and cash equivalents - Note 8	46,094	44,783
Pledges receivable - Notes 4, 8 and 9	-	6,550
Investments - Notes 5, 8 and 9	<u>2,430,956</u>	<u>2,099,250</u>
 Total assets	 <u>\$ 6,909,378</u>	 <u>\$ 5,291,187</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 36,486	\$ 48,881
Refundable advances - Note 6	110,000	110,000
Due to State of Arizona - Note 11	81,400	-
Custodial liabilities	<u>47,011</u>	<u>21,255</u>
Total liabilities	<u>274,897</u>	<u>180,136</u>
Net assets:		
Without donor restrictions:		
Available for operations	363,353	113,282
Board designated - operating reserve - Note 3	196,697	196,697
Designated for donor advised purposes - Note 3	<u>2,118,487</u>	<u>1,952,892</u>
Total net assets without donor restrictions	<u>2,678,537</u>	<u>2,262,871</u>
With donor restrictions:		
Timing and purpose restrictions - Note 7	1,478,894	697,597
Endowments - Notes 7 and 8	<u>2,477,050</u>	<u>2,150,583</u>
Total net assets with donor restrictions	<u>3,955,944</u>	<u>2,848,180</u>
Total net assets	<u>6,634,481</u>	<u>5,111,051</u>
	 <u>\$ 6,909,378</u>	 <u>\$ 5,291,187</u>

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
STATEMENT OF ACTIVITIES
Year ended June 30, 2021

		With donor restrictions			
	Without donor restrictions	Timing and purpose	Endowments	Total donor restricted	Totals
Public support and revenues:					
Governmental grants	\$ 7,014,475	\$ -	\$ -	\$ -	\$ 7,014,475
Other grants and trusts	123,118	1,154,275	-	1,154,275	1,277,393
Contributions	360,607	82,593	13,950	96,543	457,150
Fundraising events, net of direct donor benefit costs of \$0	178,720	-	-	-	178,720
Net investment return	273,712	-	386,017	386,017	659,729
	<u>7,950,632</u>	<u>1,236,868</u>	<u>399,967</u>	<u>1,636,835</u>	<u>9,587,467</u>
Released from restrictions	634,071	(560,571)	(73,500)	(634,071)	-
Total public support and revenues	<u>8,584,703</u>	<u>676,297</u>	<u>326,467</u>	<u>1,002,764</u>	<u>9,587,467</u>
Expenses:					
Program services	7,644,159	-	-	-	7,644,159
Management and general	274,109	-	-	-	274,109
Fundraising	145,769	-	-	-	145,769
Total expenses	<u>8,064,037</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,064,037</u>
Change in net assets	520,666	676,297	326,467	1,002,764	1,523,430
Net assets, beginning of year	2,262,871	697,597	2,150,583	2,848,180	5,111,051
Donor redirect - Note 7	<u>(105,000)</u>	<u>105,000</u>	<u>-</u>	<u>105,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,678,537</u>	<u>\$ 1,478,894</u>	<u>\$ 2,477,050</u>	<u>\$ 3,955,944</u>	<u>\$ 6,634,481</u>

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
STATEMENT OF ACTIVITIES
Year ended June 30, 2020

		With donor restrictions			
	Without donor restrictions	Timing and purpose	Endowments	Total donor restricted	Totals
Public support and revenues:					
Governmental grants	\$ 5,456	\$ -	\$ -	\$ -	\$ 5,456
Other grants and trusts	1,457,211	1,182,125	-	1,182,125	2,639,336
Contributions	113,991	176,491	150	176,641	290,632
Fundraising events, net of direct donor benefit costs of \$0	121,065	-	-	-	121,065
Net investment return	(40,776)	-	(13,313)	(13,313)	(54,089)
	<u>1,656,947</u>	<u>1,358,616</u>	<u>(13,163)</u>	<u>1,345,453</u>	<u>3,002,400</u>
Released from restrictions	1,150,653	(1,124,205)	(26,448)	(1,150,653)	-
Total public support and revenues	<u>2,807,600</u>	<u>234,411</u>	<u>(39,611)</u>	<u>194,800</u>	<u>3,002,400</u>
Expenses:					
Program services	1,395,728	-	-	-	1,395,728
Management and general	396,917	-	-	-	396,917
Fundraising	96,525	-	-	-	96,525
Total expenses	<u>1,889,170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,889,170</u>
Change in net assets	918,430	234,411	(39,611)	194,800	1,113,230
Net assets, beginning of year	1,354,441	453,186	2,190,194	2,643,380	3,997,821
Donor redirect - Note 7	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net assets, end of year	<u>\$ 2,262,871</u>	<u>\$ 697,597</u>	<u>\$ 2,150,583</u>	<u>\$ 2,848,180</u>	<u>\$ 5,111,051</u>

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program services					Management and general	Fundraising	Total
	Grantmaking	Research & advocacy	Pathways	We Are One/ Somos Uno	Other programs	Total		
Salaries and wages	\$ -	\$ -	\$ 280,170	\$ 58,967	\$ 24,107	\$ 363,244	\$ 131,136	\$ 571,100
Employee-related costs	-	-	50,326	10,592	4,330	65,248	23,556	102,585
	-	-	330,496	69,559	28,437	428,492	154,692	673,685
Advertising/promotion	-	-	-	207	-	207	2,935	14,436
Communication	-	-	-	9,020	-	9,020	3,501	12,521
Direct assistance to individuals	-	-	37,449	6,611,150	-	6,648,599	-	6,648,599
Dues and subscriptions	-	-	-	16,070	-	16,070	2,569	19,151
Grants made to others	228,250	-	105,000	-	-	333,250	-	333,250
Insurance	-	-	-	-	-	-	2,031	2,031
Licenses and fees	-	-	-	819	-	819	4,927	5,771
Miscellaneous	-	-	-	-	-	-	-	-
Occupancy	-	-	-	-	-	-	1,632	2,703
Office/computer expense	-	-	73	2,976	-	3,049	25,534	38,355
Postage and printing	81	-	-	5,228	-	5,309	3,548	15,589
Professional services	-	25,000	-	140,702	-	165,702	51,344	242,539
Program contracts	-	4,333	28,086	-	-	32,419	-	32,419
Travel and training	-	-	-	1,223	-	1,223	21,396	22,988
Total expenses	<u>\$ 228,331</u>	<u>\$ 29,333</u>	<u>\$ 501,104</u>	<u>\$ 6,856,954</u>	<u>\$ 28,437</u>	<u>\$ 7,644,159</u>	<u>\$ 274,109</u>	<u>\$ 8,064,037</u>

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program services						Management and general	Fundraising	Total
	Grantmaking	Research & advocacy	Pathways	OpEd Project	Other programs	Total			
Salaries and wages	\$ -	\$ 20,000	\$ 78,445	\$ -	\$ 25,000	\$ 123,445	\$ 215,454	\$ 58,583	\$ 397,482
Employee-related costs	-	3,968	12,260	-	-	16,228	48,081	13,884	78,193
	<u>-</u>	<u>23,968</u>	<u>90,705</u>	<u>-</u>	<u>25,000</u>	<u>139,673</u>	<u>263,535</u>	<u>72,467</u>	<u>475,675</u>
Advertising/promotion	-	-	-	-	-	-	1,693	-	1,693
Communication	-	-	-	-	-	-	4,881	-	4,881
Direct assistance to individuals	-	-	33,343	-	-	33,343	-	-	33,343
Dues and subscriptions	250	-	-	-	-	250	7,998	200	8,448
Grants made to others	869,100	-	110,000	-	20,500	999,600	-	-	999,600
Insurance	-	-	-	-	-	-	2,237	-	2,237
Licenses and fees	95	-	-	-	-	95	3,886	-	3,981
Miscellaneous	-	1,003	-	-	-	1,003	5,000	-	6,003
Occupancy	-	-	-	-	-	-	20,480	3,965	24,445
Office/computer expense	-	178	173	96	256	703	20,742	1,300	22,745
Postage and printing	-	494	-	518	-	1,012	1,559	7,053	9,624
Professional services	-	25,000	6	-	-	25,006	54,406	2,987	82,399
Program contracts	-	7,330	64,875	108,000	-	180,205	-	-	180,205
Travel and training	-	9,707	325	1,962	2,844	14,838	10,500	8,553	33,891
Total expenses	<u>\$ 869,445</u>	<u>\$ 67,680</u>	<u>\$ 299,427</u>	<u>\$ 110,576</u>	<u>\$ 48,600</u>	<u>\$ 1,395,728</u>	<u>\$ 396,917</u>	<u>\$ 96,525</u>	<u>\$ 1,889,170</u>

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
STATEMENTS OF CASH FLOWS
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,523,430	\$ 1,113,230
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains)/losses on operating investments	(278,715)	55,666
Endowment net investment (return)	(386,017)	13,313
(Increase) decrease in operating assets:		
Pledges receivable	433,581	(11,896)
Other receivables	(6,954)	(4,605)
Prepaid expenses and other assets	(2,269)	503
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(12,395)	23,137
Grants payable	-	(25,000)
Refundable advances	-	110,000
Due to State of Arizona	81,400	-
Custodial liabilities	25,756	21,255
Long-term (endowment) contributions	(13,950)	(150)
Net cash provided by operating activities	<u>1,363,867</u>	<u>1,295,453</u>
Cash flows from investing activities:		
Proceeds from sales of operating investments	845,772	647,509
Purchases of operating investments	(1,747,304)	(376,861)
(Addition to)/withdrawal from endowment	54,311	41,969
Net cash provided by (used in) investing activities	<u>(847,221)</u>	<u>312,617</u>
Cash flows provided by financing activities -		
Long-term (endowment) contributions	<u>13,950</u>	<u>150</u>
Net change in cash and cash equivalents	530,596	1,608,220
Cash, cash equivalents and restricted cash, beginning of year	<u>2,203,745</u>	<u>595,525</u>
Cash, cash equivalents and restricted cash, end of year	\$ <u><u>2,734,341</u></u>	\$ <u><u>2,203,745</u></u>

Supplemental cash flow information

No cash paid for income taxes or interest in 2021 or 2020.

See Accompanying Notes.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

NOTE 1 – Organization

The Women's Foundation of Southern Arizona (Foundation), established in 1991, is a public nonprofit organization incorporated in Arizona. The mission of the Foundation is to collaborate to achieve social, political and economic change that empowers women and girls. The Foundation fulfills this mission through research, advocacy, grant-making and leadership development. The Foundation uses a community-based process to grant funds to an array of programs in Southern Arizona that benefit women and girls and provides innovative programs to increase young women's philanthropy. Primary funding is from contributions, grants and fundraising events.

The Foundation has the following programs:

Grant-making – grants are awarded to an array of organizations in Southern Arizona that promote economic self-sufficiency for women and girls.

Research and Advocacy – advocacy and research on issues affecting women and girls in Southern Arizona.

OpED Project – a partnership between The University of Arizona, the Women's Foundation of Southern Arizona and The OpEd Project, this intense year-long fellowship provides professional and leadership development to women. This program ended during the year ended June 30, 2020.

Pathways – connects single mothers to high demand one-year career technical education programs in fields that pay a livable wage, getting their families on a new path to self-sufficiency.

We are One/Somos Uno Resiliency Fund – In the summer of 2020, the City of Tucson and the Foundation entered into a financial participation agreement whereby the City would direct up to \$7,000,000 in federal COVID relief funds to the Foundation to support workers and families by providing emergency assistance grants. This one-time funding source had a material effect on the programs and activities of Foundation.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows as of June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 2,655,529	\$ 2,137,707
Cash held for other organizations	32,718	21,255
Endowment cash and cash equivalents	46,094	44,783
	<u>\$ 2,734,341</u>	<u>\$ 2,203,745</u>

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 2 – Summary of significant accounting policies – continued

Promises to give

The Foundation records unconditional promises to give (pledges receivable) that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Foundation determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. Management believes that all receivables are collectible, and, accordingly, has recorded no allowance for uncollectible amounts. These amounts contain no collateral provisions for collection.

Furniture and equipment

Purchased property and equipment with a useful life of more than one year are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The Foundation capitalizes all furniture and equipment in excess of \$2,500 and with a useful life of more than one year.

The Foundation reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. The Foundation has determined that there were no indicators of asset impairment as of either June 30, 2021 or 2020.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the statements of financial position. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions. The Board of Trustees has designated, from net assets without donor restrictions, net assets for operating reserves and future donor advised fund distributions.

Net assets with donor restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 2 – Summary of significant accounting policies – continued

Endowments

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

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

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

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

Revenue and revenue recognition

The Foundation records special events revenue equal to the cost of direct benefits to donors, and contribution revenue for the difference. With the exception of goods and services provided in connection with membership dues, which are transferred over the period of membership, all goods and services are transferred at a point in time.

The Foundation recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Consequently, at June 30, 2021 and 2020, conditional grants totaling \$0 and \$3,425,669, respectively, have not been recognized as revenue in the accompanying financial statements.

Donated goods, facilities and services

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

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

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 2 – Summary of significant accounting policies – continued

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

Functional allocation of expenses

The Foundation's general approach to allocate costs to functions follows:

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

Management believes that the allocation base most equitable is personnel costs charged to functional areas.

Advertising

Advertising costs are expensed as incurred.

Income tax status

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

Management of the Foundation considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that the Foundation met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, the Foundation has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for the year ended June 30, 2021.

Use of estimates

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

Fair value measurements

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

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 2 – Summary of significant accounting policies – continued

unobservable inputs are the Foundation's own assumptions about what market participants would assume based on the best information available in the circumstances.

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

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

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

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

Financial instruments and credit risk

The Foundation manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Foundation has not experienced losses in any of these accounts. As of June 30, 2021, uninsured cash and cash equivalents totaled \$2,502,240.

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

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

Reclassifications

Certain accounts in the prior-year statement of functional expenses have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 3 – Liquidity, availability and sustainability

Liquidity and availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, follow on June 30:

	2021	2020
Cash and cash equivalents	\$ 1,220,765	\$ 1,911,272
Pledges receivable	44,130	69,286
Other receivables	11,559	4,605
Investments	1,686,123	505,876
	<u>2,962,577</u>	<u>2,491,039</u>
Less: Amounts designated by the Board of Trustees:		
Operating reserve	(196,697)	(196,697)
Future donor advised grant distributions	<u>(2,118,487)</u>	<u>(1,952,892)</u>
	<u>\$ 647,393</u>	<u>\$ 341,450</u>

Endowment funds consist of donor and non-donor restricted endowments. There are no funds designated by the Board of Trustees as endowments. Income from restricted endowments is restricted for specific programs benefitting young women and girls and are not available for general expenditure. Earnings on endowments not restricted by donors are available for expenditure in accordance with the spending policy of the Foundation.

In order to ensure the stability of the mission, programs, employment and ongoing operations of the Foundation, the Board of Trustees has approved reserve policies that also provide an internal source of funds for organizational priorities such as capacity building, program opportunities, capital asset purchase, multi-year grant commitments and strategic plan implementation.

At June 30, 2020, the Board of Trustees has approved an Operating Reserve of \$196,697 representing 3 months of operating costs of the fiscal year 2021 unrestricted budget approved by the Board of Trustees. This represents an internal restriction on unrestricted financial resources.

At its discretion, the Board of Trustees may designate specific gifts or funds to function as board designated endowments. At both June 30, 2021 and 2020, no funds have been designated as board designated endowments.

The Foundation accepts donations designated as donor advised funds. Such funds are intended to provide a permanent and continuous source of philanthropic capital to the Southern Arizona community. The donor to the fund may make grant recommendations in accordance with Internal Revenue Service and Foundation guidelines. Until the funds are granted, the funds are invested and are designated by the Board of Trustees as held for future donor advised grant distribution and are not available for general operations of the Foundation.

Sustainability

The Board of Trustees holds all funds, in its fiduciary and stewardship capacities, for the benefit of fulfilling the Foundation's mission. The Foundation's investment policies require that assets of the

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 3 – Liquidity, availability and sustainability – continued

Foundation be managed consistent with Arizona statutes consistent with the *Uniform Prudent Management of Institutional Funds Act*. See Note 8. Investment performance is monitored on a quarterly basis with specified benchmarks.

The Board of Trustees have a formally adopted spending policy, which indicates the spending rate to determine the annual distributions. See Note 8.

Cash in excess of annual operating requirements is invested in money market accounts at financial institutions as part of the liquidity management plan.

All capital purchases are approved by the Board of Trustees.

NOTE 4 – Pledges receivable

Pledges receivable due after one year are discounted at 3%. At June 30, 2021 and 2020, pledges receivable consist of balances to be paid in future years as follows:

	2021	2020
Year ended June 30, 2021		\$ 454,174
2022	\$ 44,130	24,000
2023	-	1,000
	<u>44,130</u>	<u>479,174</u>
Less: discount to present value	-	(1,463)
	<u>\$ 44,130</u>	<u>\$ 477,711</u>

See Note 9 for fair value measurements.

NOTE 5 – Investments

Investments were designated as follows at June 30, 2021 and 2020:

	2021	2020
Available for operations	\$ -	\$ -
Donor-advised funds (board designated)	1,686,123	505,876
Endowments	<u>2,430,956</u>	<u>2,099,250</u>
	<u>\$ 4,117,079</u>	<u>\$ 2,605,126</u>

See Note 9 for fair value measurements.

NOTE 6 – Refundable advances

In May 2020, the Foundation was granted a \$110,000 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. The Foundation is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Foundation has initially recorded the loan as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 6 – Refundable advances – continued

right to return of the PPP loan. Proceeds from the loan are eligible for forgiveness if they are used for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the years ended June 30, 2021 or 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. Forgiveness was received subsequent to year-end.

NOTE 7 – Net assets with donor restrictions

Net assets with donor restrictions were as follows for the year ended June 30, 2021:

	Beginning balance	Contributions/ donor redirect	Investment income/ loss	Releases	Ending balance
Specified purpose:					
Advocacy/public policy	\$ 24,917	\$ -	\$ -	\$ (24,917)	\$ -
Appointments project	25,153	5,000	-	-	30,153
Grants	1,000	1,000	-	(2,000)	-
Op/Ed Project	-	-	-	-	-
Unidas	-	5,000	-	(5,000)	-
Pathways	582,698	489,275	-	(439,169)	632,804
Statewide expansion	-	375,000	-	-	375,000
Women & Girls of Color	-	54,250	-	(15,300)	38,950
Staffing and hiring support	-	295,000	-	(32,143)	262,857
	<u>633,768</u>	<u>1,224,525</u>	<u>-</u>	<u>(518,529)</u>	<u>1,339,764</u>
Timing:					
Passage of time - pledges	63,829	22,343	-	(42,042)	44,130
Future operations	-	95,000	-	-	95,000
	<u>63,829</u>	<u>117,343</u>	<u>-</u>	<u>(42,042)</u>	<u>139,130</u>
Endowments:					
Subject to appropriation and expenditure (purpose):					
Rebecca fund	3,451	-	32,776	(13,500)	22,727
WFSA/girls	255,532	-	353,241	(60,000)	548,773
	<u>258,983</u>	<u>-</u>	<u>386,017</u>	<u>(73,500)</u>	<u>571,500</u>
Subject to endowment spending policy and appropriation:					
Rebecca fund	130,800	20,500	-	-	151,300
WFSA/girls	1,760,800	(6,550)	-	-	1,754,250
	<u>1,891,600</u>	<u>13,950</u>	<u>-</u>	<u>-</u>	<u>1,905,550</u>
Total endowments	<u>2,150,583</u>	<u>13,950</u>	<u>386,017</u>	<u>(73,500)</u>	<u>2,477,050</u>
	<u>\$ 2,848,180</u>	<u>\$ 1,355,818</u>	<u>\$ 386,017</u>	<u>\$ (634,071)</u>	<u>\$ 3,955,944</u>

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 7 – Net assets with donor restrictions – continued

Net assets with donor restrictions were as follows for the year ended June 30, 2020:

	Beginning balance	Contributions/ donor redirect	Investment income/ loss	Releases	Ending balance
Specified purpose:					
Advocacy/public policy	\$ 41,927	\$ 26,000	\$ -	\$ (43,010)	\$ 24,917
Appointments project	40,153	10,000	-	(25,000)	25,153
Grants	4,600	301,000	-	(304,600)	1,000
Op/Ed Project	-	108,000	-	(108,000)	-
Unidas	-	3,000	-	(3,000)	-
Pathways	-	882,125	-	(299,427)	582,698
	<u>86,680</u>	<u>1,330,125</u>	<u>-</u>	<u>(783,037)</u>	<u>633,768</u>
Passage of time - pledges	<u>366,506</u>	<u>38,491</u>	<u>-</u>	<u>(341,168)</u>	<u>63,829</u>
Endowments:					
Subject to appropriation and expenditure (purpose):					
Rebecca fund	2,735	-	716	-	3,451
WFSA/girls	296,009	-	(14,029)	(26,448)	255,532
	<u>298,744</u>	<u>-</u>	<u>(13,313)</u>	<u>(26,448)</u>	<u>258,983</u>
Subject to endowment spending policy and appropriation:					
Rebecca fund	130,650	150	-	-	130,800
WFSA/girls	1,760,800	-	-	-	1,760,800
	<u>1,891,450</u>	<u>150</u>	<u>-</u>	<u>-</u>	<u>1,891,600</u>
Total endowments	<u>2,190,194</u>	<u>150</u>	<u>(13,313)</u>	<u>(26,448)</u>	<u>2,150,583</u>
	<u>\$ 2,643,380</u>	<u>\$ 1,368,766</u>	<u>\$ (13,313)</u>	<u>\$ (1,150,653)</u>	<u>\$ 2,848,180</u>

NOTE 8 – Endowments

Funds with deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of \$0 were reported in net assets with donor restrictions as of both June 30, 2021 and 2020.

Return objectives and risk parameters

The Foundation has adopted investment policies for endowment assets that attempt to maintain sufficient cash to sustain operations and to invest excess cash to maximize income while preserving principal. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). The Foundation's investment objectives are as follows:

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 8 – Endowments – continued

- Assets of the Foundation are invested in a manner which does not incur undue market risk, i.e., the achievement of specific investment goals in such a manner as to protect against excessive volatility of returns from year to year.
- Protect the Foundation against inflationary erosion, i.e., the achievement of adequate investment growth such that the purchasing power of the principal amount of these assets is maintained over a five-year horizon.
- Equity-type investments (i.e., common stocks, convertible issues) are permitted in both the domestic and foreign markets. At no time does any single security represent greater than 10% of the portfolio (excluding mutual funds) nor does any industry group represent greater than 15% of the portfolio. Additionally, if a single security (excluding mutual funds) represents greater than 5% or any industry group represents greater than 10% of the portfolio, notification and rationale is given to the Investment Committee.
- Use of fixed income investments may include both domestic and foreign obligations including, marketable corporate bonds, debentures, preferred stocks, commercial paper, certificates of deposit and such other fixed income investments as deemed prudent by the Investment Manager.
- Cash equivalent securities are viewed not only as an avenue to meet the liquidity requirements of the Foundation but also as an alternative investment vehicle. In either case, however, selection of particular investments is determined primarily by the safety and liquidity of the investment and only secondarily by the yield available.

Investment strategies

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Dynamic, flexible management of the portfolio is both permitted and encouraged. Shifts of emphasis among equity, fixed income and cash equivalent sectors of the aggregate asset base are in order to achieve long-term return objectives within prudent risk constraints.

Spending policies

The Foundation has a formally adopted spending policy, which indicates the spending rate to determine the annual distributions. The amount is to be computed as follows: the target spending rate should be 4% of the average market value on December 31st for the most recent three-year period. Distributions are made annually, by the beginning of the next fiscal year.

Endowment fund net assets

Endowment fund assets consisted of the following at June 30, 2021 and 2020:

	2021	2020
Cash and cash equivalents	\$ 46,094	\$ 44,783
Pledges receivable	-	6,550
Investments	2,430,956	2,099,250
	<u>\$ 2,477,050</u>	<u>\$ 2,150,583</u>

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 8 – Endowments – continued

Changes in endowment net assets consisted of the following for the years ended June 30, 2021 and 2020:

	With donor restrictions	
	2021	2020
Balance, beginning of year	\$ 2,150,583	\$ 2,190,194
Contributions	13,950	150
Investment return, net	386,017	(13,313)
Appropriations/releases	(73,500)	(26,448)
Balance, end of year	<u>\$ 2,477,050</u>	<u>\$ 2,150,583</u>

NOTE 9 – Fair value measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	Level 1	
	2021	2020
Corporate stocks	\$ 1,540,602	\$ 975,200
Exchange traded/closed end funds	1,418,100	225,285
Government bonds/securities	307,899	323,042
Corporate bonds	280,953	275,005
Mutual funds	569,525	806,594
	<u>\$ 4,117,079</u>	<u>\$ 2,605,126</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a non-recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020:

	Level 3	
	2021	2020
Assets:		
Pledges receivable	<u>\$ 44,130</u>	<u>\$ 477,711</u>

Valuation techniques

The fair value of the above Level 1 investments is based on quoted prices in an active market. The fair value of pledges receivable is estimated using an interest rate which approximates the present value of future cash flows. There were no changes in valuation techniques during either of the years ended June 30, 2021 and 2020. Determinations of transfers between levels are made on an annual basis at year-end. There were no transfers between levels as of either June 30, 2021 and 2020.

NOTE 10 – Retirement plan

The Foundation has a 401(k)-retirement plan available for all employees over the age of 21 to defer compensation. The Foundation may make both matching and discretionary employer contributions to the Plan.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
NOTES TO FINANCIAL STATEMENTS – continued
June 30, 2021 and 2020

NOTE 10 – Retirement plan – continued

The Foundation made contributions of \$12,035 and \$10,729 to the Plan for the years ended June 30, 2021 and 2020, respectively. Employees begin vesting in employer matching contributions to the Plan immediately, and nonelective contributions after one year of service, defined as 1,000 hours of service during the twelve-month period beginning on the date of hire.

NOTE 11 – Due to State of Arizona

As discussed in Note 1, the City of Tucson and the Foundation entered into a financial participation agreement whereby the City directed federal COVID relief funds to the Foundation to support workers and families by providing emergency assistance grants. This program ended December 31, 2020. As of January 19, 2022, checks totaling \$81,400 to program participants remained uncashed after numerous follow-up attempts. The Foundation is in the process of turning over these unclaimed funds to the Arizona Department of Revenue to safeguard and distribute them to the rightful owners in accordance with unclaimed property laws.

This governmental agency funding is subject to compliance audits. Assessments from these audits, if any, will be recorded when the amounts of such assessments are reasonably determinable.

NOTE 12 – Subsequent events

Subsequent to year-end, the Foundation changed its name to The Women's Foundation for the State of Arizona.

Subsequent events have been evaluated through January 19, 2022 which is the date the financial statements were available to be issued.



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATE-
MENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees
Women's Foundation of Southern Arizona
Tucson, Arizona

I have audited, 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, the financial statements of Women's Foundation of Southern Arizona (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated January 19, 2022.

Internal Control Over Financial Reporting

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

My 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that I consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Women's Foundation of Southern Arizona's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Women's Foundation of Southern Arizona's Response to Findings

Women's Foundation of Southern Arizona's responses to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Women's Foundation of Southern Arizona's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

A handwritten signature in black ink that reads "Jennifer J. Phillips, CPA, PLLC". The signature is written in a cursive, flowing style.

JENNIFER J. PHILLIPS, CPA, PLLC

Tucson, Arizona
January 19, 2022



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Women's Foundation of Southern Arizona
Tucson, Arizona

Report on Compliance for Each Major Federal Program

I have audited Women's Foundation of Southern Arizona's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Women's Foundation of Southern Arizona's major federal programs for the year ended June 30, 2021. Women's Foundation of Southern Arizona's 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

My responsibility is to express an opinion on compliance for each of Women's Foundation of Southern Arizona's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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). Those standards and the Uniform Guidance require that I 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 Women's Foundation of Southern Arizona's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Women's Foundation of Southern Arizona's compliance.

Opinion on each major federal program

In my opinion, Women's Foundation of Southern Arizona 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, 2021.

Report on Internal Control Over Compliance

Management of Women's Foundation of Southern Arizona is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Women's Foundation of Southern Arizona's 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Women's Foundation of Southern Arizona'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 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.

My 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 and therefore material weaknesses or significant deficiencies may exist that were not identified. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, I did identify certain deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-001 that I consider to be a significant deficiency.

Women's Foundation of Southern Arizona's responses to the internal control over compliance findings identified in my audit are described in the accompanying schedule of findings and questioned costs. Women's Foundation of Southern Arizona's responses were not subjected to the auditing procedures applied in an audit of compliance and, accordingly, I express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of my 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.



JENNIFER J. PHILLIPS, CPA, PLLC

Tucson, Arizona
January 19, 2022

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended June 30, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
No material weaknesses identified.
One significant deficiency identified. 2021-001

No non-compliance material to financial statements noted.

Federal awards

Internal control over major programs:
No material weaknesses identified.
One significant deficiency identified. 2021-001

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

No audit findings disclosed as required to be reported in accordance with 2 CFR section 200.516(a)

Identification of major programs:

21.019 Coronavirus Relief Fund

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

Auditee did not qualify as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

The following represents a significant deficiency in internal controls in accordance with *Government Auditing Standards*.

Finding: 2021-001		Questioned Cost: NONE
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Condition: During the year ended June 30, 2021, internal control processes were not always documented. Bank reconciliations were not formally approved by the CEO, and two people no longer opened the mail together to process incoming checks, nor was a log of checks (donations/grants) received maintained.

Criteria: In order to have proper segregation of duties, the CEO (or a designated board member) should review and approve bank reconciliations and statements.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year ended June 30, 2021

In addition, two people should open the mail together and log incoming checks. This log should be reconciled to the deposits by an individual independent from the process.

Cause: Among the numerous effects of COVID-19, many nonprofits have adapted their internal control structures to meet the challenges of the current times, including home office environments and telework. In addition, there was staff turnover during the year.

Effect: Existing controls were not consistently documented, and incompatible duties were not always segregated, increasing the risk of fraud and error.

Recommendation: Because Foundation employees continue to work remotely, I recommend that the Board consider using Adobe Sign or other cloud-based signature service to digitally document approvals of bank reconciliations, statements, and other accounting records. The Board may consider using a bank lockbox service for donations to better segregate cash receipt responsibilities.

Views of Responsible Officials: This has been corrected. Staff turnover and covid restrictions forced several changes. Bank reconciliations are now reviewed and e-signed. We are now receiving mail to a secure mail service box, with scanned copied provided to staff daily.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding Number: 2021-001

Repeat Finding: No

Program Name/CFDA Title: Coronavirus Relief Fund

CFDA Number: 21.019

Federal Agency: Department of Treasury

Federal Award Number: N/A

Pass-Through Agency: City of Tucson

Questioned Costs: N/A

Type of Finding: Significant deficiency

Compliance Requirement: N/A

See Finding 2021-001 description in Section II above.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2021

Federal Grantor/Pass-through grantor Program Title	Federal CFDA number	Additional Award ID	Grant/FAIN number	Federal Expenditures
<u>U.S. Department of Treasury</u>				
<i>Passed through City of Tucson -</i> Coronavirus Relief Fund	21.019	COVID-19	N/A	\$ 6,909,475
<u>U.S. Department of Labor</u>				
<i>Passed through State of Arizona -</i> Employment Service/Wagner- Peyser Funded Activities	17.207	n/a	WP-WFSA-GR-070120-01	105,000
				<u>\$ 7,014,475</u>

NOTE 1: Basis of presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of federal, state and local governments for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2: Summary of significant accounting policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Organization has no contracts that provide for charging an indirect cost rate.

NOTE 3: Other information

No amounts were paid to subrecipients, and no CFDA numbers belonged to part of a cluster.

WOMEN'S FOUNDATION OF SOUTHERN ARIZONA
SUMMARY OF PRIOR YEAR FINDINGS
Year ended June 30, 2021

FINDINGS/NON-COMPLIANCE

The Foundation was not required to have an audit conducted in accordance with *Government Auditing Standards* and the Uniform Guidance in the prior year.

CORRECTIVE ACTION PLAN
2 CFR § 200.511(c)
June 30, 2021

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2021-001	See "Views from Responsible Officials" on page 26.	1/19/22	Rebecca Wicker, CFO