



Keegan Linscott & Associates, PC

Certified Public Accountants  
Certified Fraud Examiners  
Certified Insolvency & Restructuring Advisors

TMM FAMILY SERVICES, INC.  
AUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
TMM Family Services, Inc.  
Tucson, AZ

### Report on the Audit of the Financial Statements

#### *Qualified Opinion*

We have audited the financial statements of TMM Family Services, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, expenses by function and nature, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified Opinion*

As further described in Note 4, the Organization has not consolidated the activity of a limited partnership in which the Organization has ownership interests as the general partner in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. The effects on the financial statements or the related disclosures have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 the Organization 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 opinion.

#### *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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

*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 GAAS 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 GAAS 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 the Organization'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 the Organization'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.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

*Keegan Linscott & Associates, PC*

Tucson, Arizona  
March 27, 2025

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2024

Assets	
Current assets	
Cash and cash equivalents	\$ 3,269,895
Grants and contracts receivable	11,144
Other receivables	16,100
Certificate of deposit held at a bank	264,212
Inventory	30,037
Prepaid expenses and other current assets	12,019
Total current assets	<u>3,603,407</u>
Investments	10,628
Investment in affiliate	80,725
Property and equipment, net	7,668,232
Total assets	<u><u>\$ 11,362,992</u></u>
Liabilities	
Current liabilities	
Accounts payable	\$ 91,307
Accrued expenses	30,481
Deferred revenue	3,592
Current portion of notes payable	63,370
Total current liabilities	<u>188,750</u>
Refundable tenant deposits	38,086
Notes payable	3,293,709
Total liabilities	<u>3,520,545</u>
Net assets	
Without donor restrictions	<u>7,842,447</u>
Total liabilities and net assets	<u><u>\$ 11,362,992</u></u>

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STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Revenues and Other Support	
Rental income	\$ 722,410
Recycling center sales	347,679
Grants and contracts revenue	127,729
Contributions	124,517
In-kind contributions	347,679
Investment income	79,181
Other revenue	77,239
Total support and revenue	<u>1,826,434</u>
Expenses	
Program	2,611,854
General and administrative	562,026
Fundraising	225,751
Total expenses	<u>3,399,631</u>
Change in net assets	(1,573,197)
Net assets, beginning of year	<u>9,415,644</u>
Net assets, end of year	<u>\$ 7,842,447</u>

STATEMENT OF EXPENSES BY FUNCTION AND NATURE  
FOR THE YEAR ENDED JUNE 30, 2024

	Housing	ReStore Recycling Center	Total Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 329,534	\$ 268,857	\$ 598,391	\$ 182,119	\$ 86,723	\$ 867,233
Payroll taxes	23,991	21,520	45,511	13,851	6,596	65,958
Employee benefits	31,376	9,047	40,423	18,224	5,834	64,481
Total personnel	<u>384,901</u>	<u>299,424</u>	<u>684,325</u>	<u>214,194</u>	<u>99,153</u>	<u>997,672</u>
Advertising and promotion	15,574	762	16,336	4,972	2,368	23,676
Bad debt expense	-	-	-	2,559	-	2,559
Bank charges	5,375	11,613	16,988	5,170	2,462	24,620
Client assistance	42,406	-	42,406	-	-	42,406
Contracted services	148,991	279	149,270	-	-	149,270
Depreciation	307,997	8,239	316,236	96,246	45,831	458,313
Dues and subscriptions	14,059	-	14,059	4,279	2,037	20,375
In-kind costs of goods sold	-	347,679	347,679	-	-	347,679
Insurance	69,176	-	69,176	21,053	10,025	100,254
Interest expense	27,511	149	27,660	8,418	4,009	40,087
Legal and accounting	75,957	-	75,957	100,599	11,195	187,751
Miscellaneous expenses	232,231	-	232,231	67,464	33,290	332,985
Office supplies and expense	52,820	5,586	58,406	17,832	8,465	84,703
Program supplies	227	-	227	69	33	329
Repairs and maintenance	383,680	4,986	388,666	-	-	388,666
Restore expenses	988	7,601	8,589	-	-	8,589
Travel and training	712	155	867	-	-	6,696
Utilities	121,907	27,412	149,319	5,294	535	169,004
Vehicle expense	2,507	10,950	13,457	13,337	6,348	13,997
	<u>540</u>	<u>-</u>	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 1,887,019</u>	<u>\$ 724,835</u>	<u>\$ 2,611,854</u>	<u>\$ 562,026</u>	<u>\$ 225,751</u>	<u>\$ 3,399,631</u>

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024

Cash Flows from Operating Activities	
Change in net assets	\$ (1,573,197)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	458,313
Loss on disposal of property and equipment	319,651
Net realized and unrealized gain on certificate of deposit held at a bank	(10,261)
Changes in operating assets and liabilities	
Grants and contracts receivable	(2,775)
Other receivables	23,436
Inventory	6,309
Prepaid expenses and other current assets	(729)
Investment in affiliate	10
Accounts payable	67,396
Accrued expenses	4,569
Deferred revenue	3,592
Refundable tenant deposits	(6,865)
Net cash used in operating activities	<u>(710,551)</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(307,848)
Proceeds from the disposal of property and equipment	2,000
Net cash used in investing activities	<u>(305,848)</u>
Cash Flows from Financing Activities	
Payments on notes payable	(94,495)
Net cash used in financing activities	<u>(94,495)</u>
Net change in cash and cash equivalents	(1,110,894)
Cash and cash equivalents, beginning of year	4,380,789
Cash and cash equivalents, end of year	<u>\$ 3,269,895</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 40,087</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. Purpose of Organization

TMM Family Services, Inc. (the "Organization") is an Arizona nonprofit corporation whose mission is to provide quality affordable housing, essential education, and stability for qualifying low-income seniors, single parents, and veterans within the Greater Tucson area. Additionally, the Organization has a recycling center for used building materials, furniture, appliances, household items and clothing to the residents served and community at large. The Organization's primary sources of revenue are rental income, government grants and contracts, and community support.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.

With Donor Restrictions – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time or must be maintained by the Organization permanently.

Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions. The Organization had no net assets with donor restrictions as of June 30, 2024.

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NOTES TO FINANCIAL STATEMENTS

## Significant Accounting Policies (continued)

*Cash and Cash Equivalents*

For financial reporting purposes, the Organization considers all highly liquid investments with purchased maturities of ninety days or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Organization has not experienced any losses and does not believe it

is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk. As of June 30, 2024, the Organization had no deposits over the FDIC insurance limit.

*Grants and Contracts Receivable*

Grants and contracts receivable are stated at the amount that the Organization expects to collect from various governmental entities and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected and is based on management's assessment of the collectability of specific accounts and the aging of the receivable. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. As of June 30, 2024, management determined no allowance for doubtful accounts was necessary for grants and contracts receivable.

*Certificates of Deposit Held at Bank*

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term, and certificates of deposit with remaining maturities greater than one year are classified as long-term.

*Property and Equipment, Net*

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings	15 – 40 years
Building improvements	15 – 40 years
Furniture and equipment	5 – 10 years
Vehicles	5 – 10 years

Acquisitions of property and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of \$2,500 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred. When property and equipment are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2024, the Organization had not experienced impairment losses on its long-lived assets.

## NOTES TO FINANCIAL STATEMENTS

### Significant Accounting Policies (continued)

#### *Leases*

##### Lessor Leases

The Organization leases its property to vulnerable populations. These residential tenant leases are principally short term in nature and at the end of the initial one-year term, the lease will either automatically be renewed on a month-to-month basis or a new short-term lease is executed. The lease may be terminated by either party at the end of the initial term.

#### *Revenue Recognition*

##### Exchange Transactions

*Rental Income* - Rental income from short-term leases on apartment units is recognized in accordance with ASC 842, *Leases*. Rental income is recognized evenly over the terms of the tenant leases on the accrual basis. Rental receipts received in advance are deferred until earned.

*Recycling Center Sales* - The Organization recognizes recycling center sales in accordance with ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization's recycling center sales consist of donated building materials, furniture, appliances, household items and clothing, which are recorded at a determined transaction price that varies by item. The Organization records revenue from these sales upon delivery of the goods to the customer, which occurs at the point of sale. Performance obligations are determined to be the completed sale of each item. As of June 30, 2024 and 2023, the Organization had no contract assets or liabilities related to recycling center sales.

#### Contributions

*Grants and Contracts Revenue* - The Organization accounts for its grants and contracts revenue by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization recognizes revenue in accordance with ASC 606. Grants and contracts revenue from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Organization recognizes revenue in accordance with ASC 958-605. None of the Organization's grants and contracts revenue were considered exchange transactions for the year ended June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS

### Significant Accounting Policies (continued)

#### *Revenue Recognition (continued)*

##### *Contributions (continued)*

*Contributions* - Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

Conditional – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

Unconditional – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statement of financial position for the amount of funds provided by the donor. Consequently, grant and contract revenue is recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

*Donated Goods, Property and Services* - Contributions of donated non-cash assets including goods and property are recorded at their fair values on the date the asset is donated. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service. Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

#### *Advertising Costs*

The cost of advertising is expensed when incurred. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

#### *Functional Allocation of Expenses*

The cost of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Expenses that can be identified to a specific program or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on either full-time equivalent or square footage depending on what is considered the most appropriate cost driver.

## NOTES TO FINANCIAL STATEMENTS

## Significant Accounting Policies (continued)

*Tax Exempt Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from Arizona income tax.

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in general and administrative expenses in its accompanying financial statements. During the year ended June 30, 2024, the Organization did not recognize any interest and penalties.

*Use of Estimates*

The preparation of the financial statements in conformity with U.S. GAAP 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## 3. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30, 2024:

Cash and cash equivalents	\$ 3,269,895
Grants and contracts receivable	11,144
Other receivables	16,100
Certificates of deposit held at a bank	264,212
Total financial assets	<u>3,561,351</u>
Less amounts unavailable for general expenditures within one year, due to:	
Refundable tenant deposits	<u>(38,086)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,523,265</u>

The Organization is substantially supported by current year rental income and grants and contracts revenue, which are predictable. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The

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NOTES TO FINANCIAL STATEMENTS

## Liquidity and Availability of Resources (continued)

Organization manages liquidity by maintaining adequate working capital and monitoring liquid assets on a monthly basis. In the event of financial distress, the Organization would be able to draw on its line of credit or liquidate investments for short-term cash needs.

## 4. Investment in Affiliate

*Willcox Apartments Limited Partnership*

The Organization is the sole member of Willcox Affordable Housing, Inc., which is the general partner of Willcox Apartments Limited Partnership. Management elected to report its interest in Willcox Apartments Limited Partnership using the equity method of accounting rather than consolidating this entity within the accompanying financial statements as required by U.S. GAAP. As of June 30, 2024, the Organization's investment is reported as totaling \$80,725 in the accompanying statement of financial position. The effect of consolidating the individual accounts and operations of this entity within the accompanying financial statements has not been determined. In August 2024, the Organization sold its interest in Willcox Apartments Limited Partnership to a third party. Net proceeds from the sale were \$395,488, and after related costs were deducted, the Organization recorded a net gain of \$315,923.

## 5. Property and Equipment, Net

Property and equipment consisted of the following as of June 30, 2024:

Land	\$ 1,434,797
Buildings	9,635,181
Building improvements	2,416,452
Furniture and equipment	435,159
Vehicles	56,299
	<u>13,977,888</u>
Less accumulated depreciation	<u>(6,309,656)</u>
Ending balance	<u>\$ 7,668,232</u>

During 2024, the Organization demolished one of its buildings and sold some of its vehicles, which resulted in a net loss on disposal of property and equipment of \$319,651 and cash proceeds of \$2,000. The loss on disposal is reported within miscellaneous expenses in the accompanying statement of expenses by function and nature for the year ended June 30, 2024.

## 6. Line of Credit

In April 2003, the Organization entered into a line of credit agreement with a bank for an amount of \$150,000 with no maturity date. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 0.50% (9.00% at June 30, 2024) and payments of principal at the lender's discretion. The line of credit is collateralized by property as specified in the related agreement. The line of credit had no outstanding balance as of June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS

## 7. Notes Payable

Notes payable consisted of the following as of June 30, 2024:

	Interest Rate	Collateral	Maturity Date	Balance
Forgivable notes payable:				
City of Tucson 4-plex	0%	Property	June2027	\$ 270,000
City of Tucson 5-plex	0%	Property	April2030	130,252
City of Tucson – JP Morgan Chase Loan	0%	Property	June2026	34,000
Arizona Department of Housing 405-07	0%	Property	June2027	586,723
Arizona Department of Housing 409-11	0%	Property	April2031	742,218
Other notes payable:				
Pima County Senior Housing Note	0%	Property	July 2039	708,000
Construction Loan	4.93%	Property	March 2028	580,282
ReStore Loan	3.44%	Property	March 2026	305,604
			Total	<u>3,357,079</u>
			Less current position	(63,370)
			Long-term position	<u>\$ 3,293,709</u>

City of Tucson 4-plex: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2027.

City of Tucson 5-plex: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in April 2030.

City of Tucson – JP Morgan Chase Loan: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2026.

Arizona Department of Housing 405-07: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2027.

Arizona Department of Housing 409-11: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in April 2031.

Pima County Senior Housing Note: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, a balloon payment will be due upon maturity in July 2039.

Construction Loan: Bank loan with monthly payments of \$3,410, including interest at 4.93% through March 2028. The note is secured by a deed of trust on real property and requires the Organization be in compliance with a debt service coverage ratio of not less than 1.25 and total liabilities divided by tangible net worth not

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NOTES TO FINANCIAL STATEMENTS

## Notes Payable (continued)

greater than 2. The Organization was in compliance with total liabilities divided by tangible net worth financial covenant but was not in compliance with the debt service coverage ratio financial covenant as of June 30, 2024. As of March 27, 2025, the Organization was in the process of obtaining a waiver from the bank.

Restore Loan: Bank loan with monthly payments of \$2,751, including interest at 3.44% through March 2036. The note is secured by property and requires the Organization to be in compliance with a debt service coverage ratio of not less than 1.25. The Organization not was in compliance with this financial covenants as of June 30, 2024. As of March 27, 2025, the Organization was in the process of obtaining a waiver from the bank.

Future maturities of notes payable as of June 30, 2024 are as follows:

Year ending June 30,	Forgivable Notes Payable	Other Notes Payable	Total
2025	\$ -	\$ 63,370	\$ 63,370
2026	34,000	324,074	358,074
2027	856,723	40,920	897,643
2028	-	457,522	457,522
2029	-	-	-
Thereafter	872,470	708,000	1,580,470
	<u>\$ 1,763,193</u>	<u>\$ 1,593,886</u>	<u>\$ 3,357,079</u>

## 8. In-kind Contributions

In-kind contributions consist of donated food, furniture, clothing and home building materials, which are donated to the Organization and subsequently sold in the Organization's Restore recycling center to the general public as a program activity. These contributed nonfinancial assets do not have donor imposed restrictions and as the fair market value of these items is not readily determinable until the items are sold, the value is determined by the selling price upon sale. In-kind contributions of inventory for the Organization's Restore recycling center totaled \$347,679 for the year ended June 30, 2024.

## 9. Retirement Plan

The Organization sponsors a qualified 401(k) retirement plan (Plan) covering substantially all employees who reached age 18 years or older after completing 2 consecutive months of service. Employee matching is available for employees who have completed a minimum of 1,000 hours of service. The Organization may also make discretionary contributions to the Plan. The Organization's discretionary contributions for the year ended June 30, 2024 totaled \$20,925.

## 10. Subsequent Events

The Organization evaluated subsequent events through March 27, 2025, which represents the date the financial statements were available to be issued and, with exception of the matters discussed in Note 4, concluded that no additional disclosures are required.



Keegan Linscott & Associates, PC

Certified Public Accountants  
Certified Fraud Examiners  
Certified Insolvency & Restructuring Advisors

TMM FAMILY SERVICES, INC.  
AUDITED FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2024

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
TMM Family Services, Inc.  
Tucson, AZ

### Report on the Audit of the Financial Statements

#### *Qualified Opinion*

We have audited the financial statements of TMM Family Services, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, expenses by function and nature, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Qualified Opinion*

As further described in Note 4, the Organization has not consolidated the activity of a limited partnership in which the Organization has ownership interests as the general partner in the accompanying financial statements as required by accounting principles generally accepted in the United States of America. The effects on the financial statements or the related disclosures have not been determined.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"). 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 the Organization 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 opinion.

#### *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 the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

*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 GAAS 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 GAAS 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 the Organization'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 the Organization'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.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2025, on our consideration of the Organization'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

*Keegan Linscott & Associates, PC*

Tucson, Arizona  
March 27, 2025

AUDITED FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION  
AS OF JUNE 30, 2024

Assets	
Current assets	
Cash and cash equivalents	\$ 3,269,895
Grants and contracts receivable	11,144
Other receivables	16,100
Certificate of deposit held at a bank	264,212
Inventory	30,037
Prepaid expenses and other current assets	12,019
Total current assets	3,603,407
Investments	10,628
Investment in affiliate	80,725
Property and equipment, net	7,668,232
Total assets	\$ 11,362,992
Liabilities	
Current liabilities	
Accounts payable	\$ 91,307
Accrued expenses	30,481
Deferred revenue	3,592
Current portion of notes payable	63,370
Total current liabilities	188,750
Refundable tenant deposits	38,086
Notes payable	3,293,709
Total liabilities	3,520,545
Net assets	
Without donor restrictions	7,842,447
Total liabilities and net assets	\$ 11,362,992

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STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2024

Revenues and Other Support	
Rental income	\$ 722,410
Recycling center sales	347,679
Grants and contracts revenue	127,729
Contributions	124,517
In-kind contributions	347,679
Investment income	79,181
Other revenue	77,239
Total support and revenue	<u>1,826,434</u>
Expenses	
Program	2,611,854
General and administrative	562,026
Fundraising	225,751
Total expenses	<u>3,399,631</u>
Change in net assets	(1,573,197)
Net assets, beginning of year	<u>9,415,644</u>
Net assets, end of year	<u>\$ 7,842,447</u>

STATEMENT OF EXPENSES BY FUNCTION AND NATURE  
FOR THE YEAR ENDED JUNE 30, 2024

	Housing	ReStore Recycling Center	Total Program	General and Administrative	Fundraising	Total
Salaries and wages	\$ 329,534	\$ 268,857	\$ 598,391	\$ 182,119	\$ 86,723	\$ 867,233
Payroll taxes	23,991	21,520	45,511	13,851	6,596	65,958
Employee benefits	31,376	9,047	40,423	18,224	5,834	64,481
Total personnel	<u>384,901</u>	<u>299,424</u>	<u>684,325</u>	<u>214,194</u>	<u>99,153</u>	<u>997,672</u>
Advertising and promotion	15,574	762	16,336	4,972	2,368	23,676
Bad debt expense	-	-	-	2,559	-	2,559
Bank charges	5,375	11,613	16,988	5,170	2,462	24,620
Client assistance	42,406	-	42,406	-	-	42,406
Contracted services	148,991	279	149,270	-	-	149,270
Depreciation	307,997	8,239	316,236	96,246	45,831	458,313
Dues and subscriptions	14,059	-	14,059	4,279	2,037	20,375
In-kind costs of goods sold	-	347,679	347,679	-	-	347,679
Insurance	69,176	-	69,176	21,053	10,025	100,254
Interest expense	27,511	149	27,660	8,418	4,009	40,087
Legal and accounting	75,957	-	75,957	100,599	11,195	187,751
Miscellaneous expenses	232,231	-	232,231	67,464	33,290	332,985
Office supplies and expense	52,820	5,586	58,406	17,832	8,465	84,703
Program supplies	227	-	227	69	33	329
Repairs and maintenance	383,680	4,986	388,666	-	-	388,666
Restore expenses	988	7,601	8,589	-	-	8,589
Travel and training	712	155	867	-	-	6,696
Utilities	121,907	27,412	149,319	5,294	535	169,004
Vehicle expense	2,507	10,950	13,457	13,337	6,348	13,997
	<u>540</u>	<u>-</u>	<u>540</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>\$ 1,887,019</u>	<u>\$ 724,835</u>	<u>\$ 2,611,854</u>	<u>\$ 562,026</u>	<u>\$ 225,751</u>	<u>\$ 3,399,631</u>

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024

Cash Flows from Operating Activities	
Change in net assets	\$ (1,573,197)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	458,313
Loss on disposal of property and equipment	319,651
Net realized and unrealized gain on certificate of deposit held at a bank	(10,261)
Changes in operating assets and liabilities	
Grants and contracts receivable	(2,775)
Other receivables	23,436
Inventory	6,309
Prepaid expenses and other current assets	(729)
Investment in affiliate	10
Accounts payable	67,396
Accrued expenses	4,569
Deferred revenue	3,592
Refundable tenant deposits	(6,865)
Net cash used in operating activities	<u>(710,551)</u>
Cash Flows from Investing Activities	
Purchase of property and equipment	(307,848)
Proceeds from the disposal of property and equipment	2,000
Net cash used in investing activities	<u>(305,848)</u>
Cash Flows from Financing Activities	
Payments on notes payable	(94,495)
Net cash used in financing activities	<u>(94,495)</u>
Net change in cash and cash equivalents	(1,110,894)
Cash and cash equivalents, beginning of year	4,380,789
Cash and cash equivalents, end of year	<u>\$ 3,269,895</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid for interest	<u>\$ 40,087</u>

## NOTES TO FINANCIAL STATEMENTS

### 1. Purpose of Organization

TMM Family Services, Inc. (the "Organization") is an Arizona nonprofit corporation whose mission is to provide quality affordable housing, essential education, and stability for qualifying low-income seniors, single parents, and veterans within the Greater Tucson area. Additionally, the Organization has a recycling center for used building materials, furniture, appliances, household items and clothing to the residents served and community at large. The Organization's primary sources of revenue are rental income, government grants and contracts, and community support.

### 2. Significant Accounting Policies

#### *Basis of Presentation*

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("U.S. GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to U.S. GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with ASC 958, *Not-for-Profit Entities*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. All contributions are considered to be available for use without restriction unless specifically restricted by the donor.

With Donor Restrictions – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time or must be maintained by the Organization permanently.

Expenses are generally reported as decreases in net assets without donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as increases in net assets without donor restrictions. The Organization had no net assets with donor restrictions as of June 30, 2024.

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NOTES TO FINANCIAL STATEMENTS

## Significant Accounting Policies (continued)

*Cash and Cash Equivalents*

For financial reporting purposes, the Organization considers all highly liquid investments with purchased maturities of ninety days or less to be cash equivalents. The Organization places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. The Organization has not experienced any losses and does not believe it

is exposed to any significant credit risk on cash balances. All such accounts are monitored by management to mitigate risk. As of June 30, 2024, the Organization had no deposits over the FDIC insurance limit.

*Grants and Contracts Receivable*

Grants and contracts receivable are stated at the amount that the Organization expects to collect from various governmental entities and other funding sources on outstanding balances, net of an allowance for doubtful accounts. The allowance for doubtful accounts reflects management's best estimate of the amounts that will not be collected and is based on management's assessment of the collectability of specific accounts and the aging of the receivable. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. Recoveries of receivables previously written off are recorded when received. As of June 30, 2024, management determined no allowance for doubtful accounts was necessary for grants and contracts receivable.

*Certificates of Deposit Held at Bank*

Certificates of deposit with original maturities greater than three months and remaining maturities less than one year are classified as short-term, and certificates of deposit with remaining maturities greater than one year are classified as long-term.

*Property and Equipment, Net*

Property and equipment are stated at cost if purchased, or fair value if donated. Depreciation is calculated using the straight-line method over the estimated useful life of the assets as follows:

Buildings	15 – 40 years
Building improvements	15 – 40 years
Furniture and equipment	5 – 10 years
Vehicles	5 – 10 years

Acquisitions of property and equipment and repairs or betterments that materially prolong the useful lives of assets in excess of \$2,500 are capitalized. Repairs and maintenance for normal upkeep are charged to expense as incurred. When property and equipment are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is reported in the statement of activities.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2024, the Organization had not experienced impairment losses on its long-lived assets.

## NOTES TO FINANCIAL STATEMENTS

### Significant Accounting Policies (continued)

#### *Leases*

##### *Lessor Leases*

The Organization leases its property to vulnerable populations. These residential tenant leases are principally short term in nature and at the end of the initial one-year term, the lease will either automatically be renewed on a month-to-month basis or a new short-term lease is executed. The lease may be terminated by either party at the end of the initial term.

#### *Revenue Recognition*

##### *Exchange Transactions*

*Rental Income* - Rental income from short-term leases on apartment units is recognized in accordance with ASC 842, *Leases*. Rental income is recognized evenly over the terms of the tenant leases on the accrual basis. Rental receipts received in advance are deferred until earned.

*Recycling Center Sales* - The Organization recognizes recycling center sales in accordance with ASC 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization's recycling center sales consist of donated building materials, furniture, appliances, household items and clothing, which are recorded at a determined transaction price that varies by item. The Organization records revenue from these sales upon delivery of the goods to the customer, which occurs at the point of sale. Performance obligations are determined to be the completed sale of each item. As of June 30, 2024 and 2023, the Organization had no contract assets or liabilities related to recycling center sales.

#### *Contributions*

*Grants and Contracts Revenue* - The Organization accounts for its grants and contracts revenue by first determining whether the transaction is an exchange transaction or a contribution. If the transaction is one in which each party to the transaction directly receives commensurate value, then the transaction is considered an exchange transaction and the Organization recognizes revenue in accordance with ASC 606. Grants and contracts revenue from exchange transactions are recognized as performance obligations are satisfied, which in most cases are as related costs are incurred or services are provided. If the transaction is considered a contribution, then the Organization recognizes revenue in accordance with ASC 958-605. None of the Organization's grants and contracts revenue were considered exchange transactions for the year ended June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS

### Significant Accounting Policies (continued)

#### *Revenue Recognition (continued)*

##### *Contributions (continued)*

*Contributions* - Contributions are classified based on the existence or absence of donor-imposed restrictions as either conditional or unconditional as follows:

Conditional – Includes all contributions with donor-imposed conditions or stipulations representing a barrier that must be overcome before the recipient is entitled to the assets being transferred or promised. A failure to overcome the barrier gives the contributor a right of return of the assets it has transferred or the ability to rescind an obligation to transfer.

Unconditional – Includes all contributions that do not contain a barrier to use and therefore are recorded as revenue once cash or a contribution is received. Donor imposed restrictions for time and/or purpose are not considered a significant barrier and thus these contributions are recorded as unconditional.

Contribution revenue is recorded when the unconditional promise to give is received. Under this method, the recognition of support for financial statement purposes bears no relation to the period in which the expenses are incurred. Revenue related to conditional contributions is recognized once the relevant barriers of each contribution are met. If the funds are received from the donor before the relevant barriers are met, deferred revenue is recorded on the statement of financial position for the amount of funds provided by the donor. Consequently, grant and contract revenue is recognized when the related barriers to provide services are delivered and/or expenditures are incurred.

*Donated Goods, Property and Services* - Contributions of donated non-cash assets including goods and property are recorded at their fair values on the date the asset is donated. Absent explicit donor stipulations, contributions of long-lived assets or cash or other assets to be used to acquire or construct long-lived assets are reported as net assets without donor restrictions when placed in service. Donated services are recognized as contributions at fair value when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and (c) would typically need to be purchased if not provided by donation.

#### *Advertising Costs*

The cost of advertising is expensed when incurred. The Organization does not participate in direct-response advertising, which requires the capitalization and amortization of related costs.

#### *Functional Allocation of Expenses*

The cost of providing the various program services and supporting activities of the Organization have been summarized on a functional basis in the statement of activities. Expenses that can be identified to a specific program or support service are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated based on either full-time equivalent or square footage depending on what is considered the most appropriate cost driver.

## NOTES TO FINANCIAL STATEMENTS

## Significant Accounting Policies (continued)

*Tax Exempt Status*

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The Organization is also exempt from Arizona income tax.

Management has considered its tax positions in accordance with the accounting standard for uncertainty in income taxes and believes that all positions taken in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. In addition, Management is not aware of any matters which would cause the Organization to lose its tax-exempt status. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed.

Should the Organization ever be subject to interest and penalties related to unrecognized tax benefits, they would be classified in general and administrative expenses in its accompanying financial statements. During the year ended June 30, 2024, the Organization did not recognize any interest and penalties.

*Use of Estimates*

The preparation of the financial statements in conformity with U.S. GAAP 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 reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## 3. Liquidity and Availability of Resources

The following table shows a determination of the Organization's financial assets that are available to meet cash needs for general expenditures within one year as of June 30, 2024:

Cash and cash equivalents	\$ 3,269,895
Grants and contracts receivable	11,144
Other receivables	16,100
Certificates of deposit held at a bank	264,212
Total financial assets	<u>3,561,351</u>
Less amounts unavailable for general expenditures within one year, due to:	
Refundable tenant deposits	<u>(38,086)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,523,265</u>

The Organization is substantially supported by current year rental income and grants and contracts revenue, which are predictable. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The

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NOTES TO FINANCIAL STATEMENTS

## Liquidity and Availability of Resources (continued)

Organization manages liquidity by maintaining adequate working capital and monitoring liquid assets on a monthly basis. In the event of financial distress, the Organization would be able to draw on its line of credit or liquidate investments for short-term cash needs.

## 4. Investment in Affiliate

*Willcox Apartments Limited Partnership*

The Organization is the sole member of Willcox Affordable Housing, Inc., which is the general partner of Willcox Apartments Limited Partnership. Management elected to report its interest in Willcox Apartments Limited Partnership using the equity method of accounting rather than consolidating this entity within the accompanying financial statements as required by U.S. GAAP. As of June 30, 2024, the Organization's investment is reported as totaling \$80,725 in the accompanying statement of financial position. The effect of consolidating the individual accounts and operations of this entity within the accompanying financial statements has not been determined. In August 2024, the Organization sold its interest in Willcox Apartments Limited Partnership to a third party. Net proceeds from the sale were \$395,488, and after related costs were deducted, the Organization recorded a net gain of \$315,923.

## 5. Property and Equipment, Net

Property and equipment consisted of the following as of June 30, 2024:

Land	\$ 1,434,797
Buildings	9,635,181
Building improvements	2,416,452
Furniture and equipment	435,159
Vehicles	56,299
	<u>13,977,888</u>
Less accumulated depreciation	<u>(6,309,656)</u>
Ending balance	<u>\$ 7,668,232</u>

During 2024, the Organization demolished one of its buildings and sold some of its vehicles, which resulted in a net loss on disposal of property and equipment of \$319,651 and cash proceeds of \$2,000. The loss on disposal is reported within miscellaneous expenses in the accompanying statement of expenses by function and nature for the year ended June 30, 2024.

## 6. Line of Credit

In April 2003, the Organization entered into a line of credit agreement with a bank for an amount of \$150,000 with no maturity date. The line of credit requires monthly interest only payments with interest at the Prime Rate plus 0.50% (9.00% at June 30, 2024) and payments of principal at the lender's discretion. The line of credit is collateralized by property as specified in the related agreement. The line of credit had no outstanding balance as of June 30, 2024.

## NOTES TO FINANCIAL STATEMENTS

## 7. Notes Payable

Notes payable consisted of the following as of June 30, 2024:

	Interest Rate	Collateral	Maturity Date	Balance
Forgivable notes payable:				
City of Tucson 4-plex	0%	Property	June 2027	\$ 270,000
City of Tucson 5-plex	0%	Property	April 2030	130,252
City of Tucson – JP Morgan Chase Loan	0%	Property	June 2026	34,000
Arizona Department of Housing 405-07	0%	Property	June 2027	586,723
Arizona Department of Housing 409-11	0%	Property	April 2031	742,218
Other notes payable:				
Pima County Senior Housing Note	0%	Property	July 2039	708,000
Construction Loan	4.93%	Property	March 2028	580,282
ReStore Loan	3.44%	Property	March 2026	305,604
			Total	<u>3,357,079</u>
			Less current position	(63,370)
			Long-term position	<u>\$ 3,293,709</u>

City of Tucson 4-plex: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2027.

City of Tucson 5-plex: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in April 2030.

City of Tucson – JP Morgan Chase Loan: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2026.

Arizona Department of Housing 405-07: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in June 2027.

Arizona Department of Housing 409-11: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, the note is forgivable in April 2031.

Pima County Senior Housing Note: No annual payments are required on this note. The note is secured by a deed of trust on real property. Provided that the Organization complies with the terms of the agreement for affordable housing, a balloon payment will be due upon maturity in July 2039.

Construction Loan: Bank loan with monthly payments of \$3,410, including interest at 4.93% through March 2028. The note is secured by a deed of trust on real property and requires the Organization be in compliance with a debt service coverage ratio of not less than 1.25 and total liabilities divided by tangible net worth not

## NOTES TO FINANCIAL STATEMENTS

### Notes Payable (continued)

greater than 2. The Organization was in compliance with total liabilities divided by tangible net worth financial covenant but was not in compliance with the debt service coverage ratio financial covenant as of June 30, 2024. As of March 27, 2025, the Organization was in the process of obtaining a waiver from the bank.

Restore Loan: Bank loan with monthly payments of \$2,751, including interest at 3.44% through March 2036. The note is secured by property and requires the Organization to be in compliance with a debt service coverage ratio of not less than 1.25. The Organization not was in compliance with this financial covenants as of June 30, 2024. As of March 27, 2025, the Organization was in the process of obtaining a waiver from the bank.

Future maturities of notes payable as of June 30, 2024 are as follows:

Year ending June 30,	Forgivable Notes Payable	Other Notes Payable	Total
2025	\$ -	\$ 63,370	\$ 63,370
2026	34,000	324,074	358,074
2027	856,723	40,920	897,643
2028	-	457,522	457,522
2029	-	-	-
Thereafter	872,470	708,000	1,580,470
	<u>\$ 1,763,193</u>	<u>\$ 1,593,886</u>	<u>\$ 3,357,079</u>

### 8. In-kind Contributions

In-kind contributions consist of donated food, furniture, clothing and home building materials, which are donated to the Organization and subsequently sold in the Organization's Restore recycling center to the general public as a program activity. These contributed nonfinancial assets do not have donor imposed restrictions and as the fair market value of these items is not readily determinable until the items are sold, the value is determined by the selling price upon sale. In-kind contributions of inventory for the Organization's Restore recycling center totaled \$347,679 for the year ended June 30, 2024.

### 9. Retirement Plan

The Organization sponsors a qualified 401(k) retirement plan (Plan) covering substantially all employees who reached age 18 years or older after completing 2 consecutive months of service. Employee matching is available for employees who have completed a minimum of 1,000 hours of service. The Organization may also make discretionary contributions to the Plan. The Organization's discretionary contributions for the year ended June 30, 2024 totaled \$20,925.

### 10. Subsequent Events

The Organization evaluated subsequent events through March 27, 2025, which represents the date the financial statements were available to be issued and, with exception of the matters discussed in Note 4, concluded that no additional disclosures are required.