SOUTHWEST HUMAN DEVELOPMENT, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

YEARS ENDED JUNE 30, 2021 AND 2020

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Human Development, Inc.
Phoenix, Arizona

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Southwest Human Development, Inc., which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Southwest Human Development, Inc., as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, consolidating statements of activities, statement of functional expenses- Southwest Human Development, Inc., and the statement of cash flows - Southwest Human Development, Inc. are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Phoenix, Arizona
October 28, 2021

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 32,112,055	$ 11,074,037
Accounts Receivable, Net	9,434,519	8,887,879
Pledges Receivable	215,781	156,876
Prepaid Expenses	329,979	104,036
Total Current Assets	42,092,334	20,222,828
NONCURRENT ASSETS		
Unemployment Reserves	759,037	705,125
Property and Equipment, Net	12,446,303	11,288,774
Deposits	65,905	64,105
Investment in Deferred Compensation Plan	38,968	-
Total Noncurrent Assets	13,310,213	12,058,004
Total Assets	$ 55,402,547	$ 32,280,832
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	$ 2,069,447	$ 1,252,156
Accrued Payroll and Employee Benefits	3,161,540	4,114,556
Compensated Absences Payable	1,155,870	1,235,661
Agency Funds	79,284	199,517
Accrued Rent and Lease Incentives	13,650	66,382
Deferred Revenue	1,103,216	978,061
Total Current Liabilities	7,583,007	7,846,333
NONCURRENT LIABILITIES		
Deferred Compensation Liability	38,968	-
Total Liabilities	7,621,975	7,846,333
NET ASSETS		
Without Donor Restrictions	45,113,552	22,542,635
With Donor Restrictions	2,667,020	1,891,864
Total Net Assets	47,780,572	24,434,499
Total Liabilities and Net Assets	$ 55,402,547	$ 32,280,832

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Fees and Grants from Governments	$ 59,103,149	$ -	$ 59,103,149
Charges for Services	3,031,397	-	3,031,397
Contributions and Donations	22,468,698	1,970,451	24,439,149
Donated Facilities	1,466,464	-	1,466,464
Interest	2,453	-	2,453
Miscellaneous Income	229,676	-	229,676
Change in Estimate-Reserve of Self Insured Health Benefits	1,069,153	-	1,069,153
Net Assets Released from Restrictions	1,195,295	(1,195,295)	-
Total Revenue and Support	88,566,285	775,156	89,341,441
EXPENSES			
Program Services:			
Head Start and Professional Development Institute	21,397,928	-	21,397,928
Family Support Services	16,536,769	-	16,536,769
Services for Children with Disabilities	4,582,962	-	4,582,962
Mental Health	5,079,399	-	5,079,399
Professional Development and Training	9,720,287	-	9,720,287
Supporting Services:			
Management and General	8,085,131	-	8,085,131
Fundraising	592,892	-	592,892
Total Expenses	65,995,368	-	65,995,368
CHANGES IN NET ASSETS	22,570,917	775,156	23,346,073
Net Assets - Beginning of Year	22,542,635	1,891,864	24,434,499
NET ASSETS - END OF YEAR	$ 45,113,552	$ 2,667,020	$ 47,780,572

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Totals
REVENUE AND SUPPORT			
Fees and Grants from Governments	$ 59,072,230	$ -	$ 59,072,230
Charges for Services	3,712,557	-	3,712,557
Contributions and Donations	3,901,473	913,318	4,814,791
Donated Facilities	1,348,565	-	1,348,565
Interest	83,841	-	83,841
Miscellaneous Income	338,552	-	338,552
Net Assets Released from Restrictions	1,418,513	(1,418,513)	-
Total Revenue and Support	69,875,731	(505,195)	69,370,536
EXPENSES			
Program Services:			
Head Start and Professional Development Institute	22,038,096	-	22,038,096
Family Support Services	17,290,976	-	17,290,976
Services for Children with Disabilities	4,341,659	-	4,341,659
Mental Health	5,367,899	-	5,367,899
Professional Development and Training	9,853,672	-	9,853,672
Supporting Services:			
Management and General	7,630,772	-	7,630,772
Fundraising	634,116	-	634,116
Total Expenses	67,157,190	-	67,157,190
CHANGES IN NET ASSETS	2,718,541	(505,195)	2,213,346
Net Assets - Beginning of Year	19,824,094	2,397,059	22,221,153
NET ASSETS - END OF YEAR	$ 22,542,635	$ 1,891,864	$ 24,434,499

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program Services						Supporting Services		
	Head Start and Professional Development Institute	Family Support Services	Services for Children With Disabilities	Mental Health	Professional Development and Training	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	$ 11,827,624	$ 12,526,646	$ 3,439,853	$ 3,599,149	$ 5,194,986	$ 36,588,258	$ 3,198,767	$ 325,796	$ 40,112,821
Employee Related Expenses	2,915,435	3,099,518	847,721	887,713	1,277,714	9,028,101	775,988	80,139	9,884,228
Donated Facilities	1,459,086	-	-	-	-	1,459,086	11,565	-	1,470,651
Professional Fees	1,546,491	24,512	96,991	413,971	521,230	2,603,195	511,457	12,841	3,127,493
Travel	27,717	143,843	1,469	18,574	69,073	260,676	4,510	-	265,186
Occupancy	879,054	15,053	41,613	5,087	174,834	1,115,641	1,023,001	-	2,138,642
Rental and Maintenance of Equipment	193,590	379,767	92,585	46,007	172,399	884,348	359,476	-	1,243,824
Supplies	1,259,148	91,691	25,407	19,663	255,120	1,651,029	159,189	57,978	1,868,196
Communication	550,824	177,053	26,404	32,295	41,633	828,209	319,284	7,634	1,155,127
Training	260,969	43,032	9,935	54,675	73,957	442,568	45,053	-	487,621
Insurance	2,201	-	-	-	-	2,201	203,227	550	205,978
Bank Fees and Charges	7,370	-	-	-	-	7,370	30,377	-	37,747
Bad Debt Expense	-	-	-	-	-	-	534,212	-	534,212
Other	73,568	11,954	984	2,265	10,794	99,565	352,330	107,954	559,849
Childcare Center Materials	41,699	-	-	-	1,928,547	1,970,246	-	-	1,970,246
Donations and Contributions	-	-	-	-	-	-	750	-	750
Parent and Family Assistance	13,748	23,700	-	-	-	37,448	172,317	-	209,765
Depreciation	339,404	-	-	-	-	339,404	383,628	-	723,032
Total Expenses by Function	$ 21,397,928	$ 16,536,769	$ 4,582,962	$ 5,079,399	$ 9,720,287	$ 57,317,345	$ 8,085,131	$ 592,892	$ 65,995,368

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2020

	Program Services						Supporting Services		
	Head Start and Professional Development Institute	Family Support Services	Services for Children With Disabilities	Mental Health	Professional Development and Training	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	$ 11,776,088	$ 13,125,821	$ 3,287,744	$ 3,789,120	$ 5,336,183	$ 37,314,956	$ 3,010,069	$ 378,358	$ 40,703,383
Employee Related Expenses	2,928,414	3,195,054	797,515	957,506	1,366,843	9,245,332	698,163	89,337	10,032,832
Donated Facilities	1,327,274	-	-	-	-	1,327,274	11,345	-	1,338,619
Professional Fees	1,967,652	18,191	54,686	267,583	563,023	2,871,135	657,789	13,932	3,542,856
Travel	167,504	326,784	33,161	145,668	182,900	856,017	32,000	775	888,792
Occupancy	1,191,286	15,614	64,124	4,788	144,203	1,420,015	933,231	-	2,353,246
Rental and Maintenance of Equipment	265,463	256,973	27,517	8,369	20,502	578,824	216,881	-	795,705
Supplies	1,379,790	102,486	28,702	34,580	257,704	1,803,262	366,878	68,234	2,238,374
Communication	226,983	164,436	26,955	123,735	43,259	585,368	124,261	2,960	712,589
Training	356,603	24,609	12,325	30,802	56,241	480,580	50,869	-	531,449
Insurance	3,027	-	-	-	-	3,027	181,877	1,301	186,205
Bank Fees and Charges	-	-	-	-	-	-	27,827	256	28,083
Bad Debt Expense	-	-	-	-	-	-	296,969	-	296,969
Other	45,376	15,518	3,705	2,317	4,608	71,524	214,920	78,963	365,407
Childcare Center Materials	47,895	-	5,225	-	1,878,206	1,931,326	951	-	1,932,277
Donations and Contributions	-	-	-	-	-	-	1,280	-	1,280
Parent Expense	21,899	45,490	-	3,431	-	70,820	405,732	-	476,552
Depreciation	332,842	-	-	-	-	332,842	399,730	-	732,572
Total Expenses by Function	$ 22,038,096	$ 17,290,976	$ 4,341,659	$ 5,367,899	$ 9,853,672	$ 58,892,302	$ 7,630,772	$ 634,116	$ 67,157,190

See accompanying Notes to Consolidated Financial Statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Fees, Grants, and Contributions	$ 85,728,076	$ 65,712,716
Interest Income Received	2,690	92,899
Cash Paid to Employees for Services	(49,960,703)	(48,042,095)
Cash Paid to Suppliers for Goods and Services	(12,938,705)	(14,267,303)
Net Cash Provided by Operating Activities	22,831,358	3,496,217
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Unemployment Reserve	6,544	(84,763)
Purchases of Property and Equipment	(1,679,651)	(153,601)
Net Cash Used by Investing Activities	(1,673,107)	(238,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (Decrease) in Agency Funds	(120,233)	101,881
Net Cash Provided (Used) by Financing Activities	(120,233)	101,881
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,038,018	3,359,734
Cash and Cash Equivalents - Beginning of Year	11,074,037	7,714,303
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 32,112,055	$ 11,074,037
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Changes in Net Assets	$ 23,346,073	$ 2,213,346
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	723,032	732,572
Change in Estimate-Reserve of Self Insured Health Benefits	(1,069,153)	-
Unrealized Gain on Unemployment Reserve	(60,456)	(65,246)
Donated Property and Equipment	-	(4,946)
Donated Prepaid Gift Cards - Received	(1,388)	(5,000)
Donated Prepaid Gift Cards - Used	5,575	-
Bad Debt Expense	534,212	296,969
(Increase) Decrease in Assets:		
Accounts Receivable	(1,080,852)	(2,060,755)
Pledges Receivable	(58,905)	156,577
Prepaid Expenses	(230,130)	(99,036)
Deposits	(1,800)	-
Investment in Deferred Compensation Plan	(38,968)	-
Increase (Decrease) in Liabilities:		
Accounts Payable	616,381	(79,895)
Accrued Payroll and Employee Benefits	116,137	2,408,711
Compensated Absences Payable	(79,791)	285,409
Accrued Rent and Lease Incentives	(52,732)	(35,557)
Deferred Revenue	125,155	(246,932)
Deferred Compensation Liability	38,968	-
Net Cash Provided by Operating Activities	$ 22,831,358	$ 3,496,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Property and Equipment in Accounts Payable	$ 200,910	$ 5,495

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 NATURE OF OPERATIONS

Southwest Human Development, Inc. (SWHD) is a nonprofit corporation that provides comprehensive services to young children and their families in Arizona. SWHD strengthens the foundation Arizona's children need for a great start in life. Our early childhood professionals invest their time in research-driven programs to benefit young children and their families. We understand that a child's earliest experiences and relationships establish the foundation for all future development – intellectual, social, emotional, physical, and behavioral. That's why we work to prepare the whole child through more than 40 programs in the following areas:

Head Start and Professional Development Institute – Imagine the possibilities if every Arizona child started out with the support they need to succeed in life. SWHD's Head Start, Early Head Start, and Early Head Start – Child Care Partnerships seek to ensure that every Arizona child has the same chance at success. They give children from birth through 5 years old and their families the foundation they need to flourish. We have 24 Head Start and Early Head Start sites throughout the Phoenix area. By working closely with children as well as their parents and educators, Head Start seeks to encourage the growth and development of today's youth by offering guidance, education and support in the following areas: 1) Early Learning – Head Start's early learning efforts help children with or without special needs find their footing in academic environment. In addition to introducing fundamental skills relating to language, math and literacy, among other areas, early learning efforts seek to help kids develop their life skills through instruction and interactive play. 2) Health – Head Start programs seek to ensure that all participants have access to the medical, dental and health services they need to succeed, function and thrive. All program participants enjoy access to health and development screenings, nutritious meals and snacks, and oral and metal health support, among related services. 3) Family Well-Being – Parents involved in Head Start programs are more likely to maintain stimulating home environments and play an active role in their child's development than other parents. They, too, receive critical support through Head Start programs that can help them achieve their academic, financial, and residential goals. Within our Head Start department, we have our Professional Development Institute (PDI) at Educare Arizona. The vision and purpose of the PDI is to act as the state's leading early learning professional workforce development entity. Our goal is to improve early childhood education teacher quality and practice, which will lead to better outcomes for children, including preparation for kindergarten and beyond. A centralized institute at Educare Arizona will bring all of the components needed for high-quality early childhood education (ECE) professional development to one place. It will also act as a living laboratory that includes the opportunity for direct observation of high-quality teaching practices and environments, hands-on learning focused on individual teacher and/or director professional development needs, and ongoing ECE practice-embedded research studies.

Family Support Services and Child Welfare – Southwest Human Development offers an array of education and support services for families to help parents and caregivers as they raise their children. We believe that all caregivers have the desire to improve their parenting skills and behaviors, while promoting positive parent-child interactions, enhancing their child's health and development, and increasing their family's economic well-being.

NOTE 1 NATURE OF OPERATIONS (CONTINUED)

Services for Children with Disability – Our disabilities services provide young children with individualized support, evaluation and treatment plans that best fit each child's unique needs through programs like the Children's Developmental Center and the ADAPT Shop.

Mental Health and Child Development – Programs include the Birth to Five Helpline, a free support line for parents, caregivers and professionals with questions or concerns about early childhood development, and the Good Fit Counseling Center, Arizona's only mental health clinic dedicated to children ages birth to five.

Professional Development and Training – Southwest Human Development offers nationally – recognized education and training programs to professionals and organizations working with young children across Arizona, the U.S. and internationally. The agency is committed to training that is interactive and applicable to everyday work with children and families. Key elements include group participation, discussion of real-life problems and implementation of ideas learned during the training experience. We also offer programs to increase early literacy, so children enter school ready to learn through our programs like Reach Out and Read and Raising a Reader.

Educare Arizona is an organization whose mission is to ensure vulnerable young children and their families are successful in school and life by providing high quality early learning, family support, and health care while also working to improve early childhood practice and policy.

Funding for both organizations is provided through federal, state, and local government, corporations, and individual donations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

On February 1, 2019, the board of directors of Educare Arizona amended its bylaws to give SWHD the right to appoint eight of nine board of directors to its board.

The consolidated financial statements include the accounts of SWHD and Educare Arizona, because SWHD has both control and an economic interest in Educare Arizona. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, the consolidated entities are hereinafter referred to as "the Organization."

Basis of Presentation

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Net assets, revenues, and support are classified based on the existence or absence of donor-imposed restrictions Accordingly, net assets of the Organization and changes are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Designated amounts represent amounts which the board has set aside for a particular purpose. There were no designated amounts at June 30, 2021 and 2020.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in 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 consolidated statement of activities as net assets released from restrictions.

Grants from governmental agencies are reflected within net assets without donor restriction class, since these funds are received and spent during the same year.

Use of Estimates in the Preparation of Consolidated Financial Statements

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

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly – liquid investments that are both (a) readily convertible to known amounts of cash; and (b) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect under the terms of the service contracts and agreements. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual contracts.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable (Continued)

Account balances with invoices over one year old are considered delinquent. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and reduction of receivables.

Pledges Receivable

Unconditional promises to give (pledges receivable) are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Monies received pursuant to conditional promises are reflected as deferred revenue. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management that are applicable to the years in which the promises are made. Amortization of the discounts is included in contribution support. Management provides for probable uncollectible amounts through a charge to earnings and an increase to a valuation allowance based on its assessment of the current status of individual pledges. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of receivables. Pledges receivable are considered by management to be collectible in full and, accordingly, an allowance for doubtful accounts was not provided at June 30, 2021 and 2020.

Property and Equipment

Purchases of property and equipment over $5,000 are initially recorded at cost. Assets donated to the Organization are recorded at their estimated fair value at the date of the gift. Depreciation on property and equipment is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 30 years. Expenses associated with the repair or maintenance of property and equipment are not capitalized and are recognized in the consolidated statement of activities in the fiscal year incurred. When property and equipment is sold or otherwise disposed of, the asset account and the related accumulated depreciation account are relieved, and any gain or loss is included in operations. Any leasehold improvements are amortized using the straight-line method over the remaining lease terms or asset lives, whichever is shorter.

Donations of property and equipment are recorded as contributions at its estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding its use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions absent donor stipulations regarding how long those donated assets must be maintained. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Management does not believe impairment indicators were present at June 30, 2021 and 2020.

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that priorities the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

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

Level 2 – Inputs to the valuation includes:

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

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

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement, and usually reflect the Organization's own assumptions about the assumptions that market participants would use in pricing the asset (i.e. real estate valuations, broker quotes).

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Benefits

Effective September 1, 2020, the Organization has a partially self-insured health benefit program covering medical and prescription claims. The plan includes a stop-loss provision that insures claims exceeding $125,000.

The Plan offers health benefits to regular, full-time employees working 30 or more hours per week and their beneficiaries and covered dependents once a 30-day waiting period is met. The cost of health care services is recognized as a deduction in the period in which it is provided to participants. Liabilities for health claims incurred but not reported are estimated based on historical claims and industry trends. At June 30, 2020, the Organization did not have historical claims and industry treads to rely on when recording the liability and an additional reserve was recorded of approximately $1,400,000 included in the accrued payroll and employee benefits. At June 30, 2021, the current estimates were based on historical costs SWHD has incurred while being fully-insured. At June 30, 2021, historical claims and industry trends were available and the reserve was reduced by approximately $1,070,000 and it was recorded as a change in estimate in the revenues and support in the consolidated statements of activities.

Program Service Revenue and Deferred Revenue

Program service revenues consist of governmental fee and grant reimbursements for various programs. Revenue from certain grants is unearned until eligible expenses have been incurred or program performance has been met. These amounts are deferred and recognized over the periods in which the associated grant expenses occur. Cash collected in advance of the earned revenue is recorded as deferred revenue. None of the deferred revenues as of year-end were from governmental grants. Conditional governmental grants – 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 met. As of June 30, 2021 and 2020, conditional governmental grants approximating $14,244,283 and $10,061,496, respectively, have not been recognized in the accompanying statement of activities.

Charges for Services – Patient Services

Patient service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government payors), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Organization bills the patients and third-party after the services are performed. Revenue is recognized as the performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Organization believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charges for Services – Patient Services (Continued)

Generally, performance obligations satisfied over time relate to patients receiving services in our behavioral health and medical/therapy programs, which includes a majority of the Organization’s charges for services revenue.

The Organization determines the transaction price based on standard charges for services provided, reduced by contractual adjustments provided to third-party payors or the established rates of the government entities. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience with patients.

Agreements with third-party payors provide for payments that may differ from established rates. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Reimbursements for Medicaid services are generally paid at prospectively determined rates, per occasion of service, or per covered member.

Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates and discounts from established charges.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care companies have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in companies entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Organization’s compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Organization. In addition, the contracts the Organization has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient services. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor and the Organization’s historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Charges for Services – Patient Services (Continued)

Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations.

Generally patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Organization estimates the transaction price for patients with deductibles and coinsurance based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change. Additional revenue recognized due to changes in its estimates of implicit price concessions, discounts, and contractual adjustments were not considered material for the years ended June 30, 2021 and 2020. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense.

The Organization has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payors (for example, Medicaid, managed care or other insurance, patient) have different reimbursement/payment methodologies
- Length of the patient's service of care
- Method of reimbursement (fee for service or capitation)
- Organization's line of business that provided the service

Donated Goods, Facilities, and Services

Donated goods, facilities, and professional services are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at the date of receipt. No amounts have been reflected in the consolidated financial statements for certain donated volunteer services because they did not qualify for recording under the guidance of authoritative accounting literature.

Advertising Expenses

Advertising costs are expensed when incurred. Advertising costs were $352,632 and $233,408 for the year ended June 30, 2021 and 2020, respectively.

Tax Status

The Organization has been granted tax-exempt status as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been provided in the consolidated financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the IRC. Management believes that no uncertain tax positions exist for the Organization as of June 30, 2021.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 on July 1, 2020.

ASU 2014-09 requires organizations to exercise more judgment and recognize revenue using a five-step process. The Organization adopted ASU 2014-09 using the modified retrospective method for all contracts effective July 1, 2021 and is using a portfolio approach to group contracts with similar characteristics and analyze historical cash collections trends. Modified retrospective adoption requires entities to apply the standard retrospectively to the most current period presented in the financial statements, requiring the cumulative effect of the retrospective application as an adjustment to the opening balance of net assets at the date of initial application. Prior periods have not been adjusted. No cumulative-effect adjustment in net assets was recorded as the adoption of ASU 2014-09 did not significantly impact the Organization's reported historical revenue.

As a result of certain changes required by ASU 2014-09, the majority of the Organization's provision for doubtful accounts are recorded as a direct reduction to revenue and considered an implicit price concession instead of being presented as a separate line item on the consolidated statements of functional expenses. The adoption of ASU 2014-09 has no impact on the Organization's accounts receivable as it was historically recorded net of allowance for doubtful accounts and contractual adjustments. The adoption of ASU 2014-09 had no impact on the Organization's consolidated statements of activities.

The Organization evaluated the nature, amount, timing and uncertainty of revenue and cash flows using the five-step process provided within ASU 2014-09.

Revenue is primarily derived from the provision of program services rendered to patients for outpatient behavioral health and medical/therapy services.

Subsequent Events

We have evaluated subsequent events through October 28, 2021, the date the consolidated financial statements were available to be issued.

In August 2021, the Organization opened two investment accounts.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following table reflects the Organization’s financial assets as of June 30, 2021 and 2020, and available to meet general expenditures within one year of the consolidated statement of financial position date.

	2021	2020
Total Assets	$ 55,402,547	$ 32,280,832
Less Assets not Available for Expenditures:		
Agency Funds Included in Cash	(79,284)	(199,517)
Prepaid Expenses	(329,979)	(104,036)
Unemployment Reserves, Net of Expected Annual Expense of $100,000	(659,037)	(605,125)
Property and Equipment, Net	(12,446,303)	(11,288,774)
Deposits	(65,905)	(64,105)
Investment in Deferred Compensation Plan	(38,968)	-
Total	(13,619,476)	(12,261,557)
Donor-Imposed Restrictions:		
Restricted Funds	(2,667,020)	(1,891,864)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 39,116,051	$ 18,127,411

The Organization also has a line of credit available to meet short-term needs. See Note 8 for information about the line of credit.

The Organization operates under various grants and contracts for programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability, 2) maintaining adequate liquid assets to fund near-term operating needs, and 3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharges.

The Organization's best practice is to maintain current financial assets less liabilities at a minimum of 60 days operating expenses. The Organization is prudent to target a year-end balance of reserves of undesignated net assets to meet three months of expected expenditures. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity and reserves monthly. During the years ended June 30, 2021 and 2020, the level of liquidity and reserves were managed within these targets.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 and 2020 consisted of amounts from the following sources:

	2021	2020
Government	$ 8,445,583	$ 7,363,731
Private	1,439,819	1,995,509
Total	9,885,402	9,359,240
Less: Allowance for Doubtful Accounts	(450,883)	(471,361)
Accounts Receivable, Net	$ 9,434,519	$ 8,887,879

Accounts receivable amounts are stated at the amount management expects to collect from outstanding balances. An allowance has been provided for specific doubtful accounts. Management anticipates all other amounts to be fully collectible. If an amount becomes uncollectable, it will be written off at that time.

NOTE 5 PLEDGES RECEIVABLE

Pledges receivable consists of the following unconditional promise to give at June 30, 2021 and 2020 :

	2021	2020
Receivable in Less Than One Year	$ 215,781	$ 156,876
Receivable in One to Five Years	-	-
Total Pledges Receivable	215,781	156,876
Less: Current Maturities	215,781	156,876
Noncurrent Maturities	$ -	$ -

Three donors made up 95% of the pledges receivable balance at June 30, 2021. Two donors made up 86% of the pledges receivable balance at June 30, 2020.

NOTE 6 UNEMPLOYMENT RESERVES

The Organization as an agreement with an agency, 501(c) Agency Trust, to manage the Organization’s unemployment claims. If the agreement is terminated, the Organization will be refunded the amount available in the reserves less any fees. Management believes that the reserve balance would cover any future claims of unemployment, therefore, a liability was not recorded at June 30, 2021 and 2020.

NOTE 7 PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2021 and 2020 follows:

	2021	2020
Building and Improvements	$ 18,909,641	$ 18,910,049
Furniture, Equipment, and Vehicles	2,139,832	1,779,824
Construction in Progress	1,200,399	5,494
Total	22,249,872	20,695,367
Less: Accumulated Depreciation Building and Improvements	(8,583,544)	(8,079,755)
Less: Accumulated Depreciation Furniture Equipment and Vehicles	(1,220,025)	(1,326,838)
Property and Equipment, Net	$ 12,446,303	$ 11,288,774

Depreciation expense was $723,032 and $732,572 for the years ended June 30, 2021 and June 30, 2020, respectively.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future programs. However, the funding source retains a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as ownership of any proceeds there from, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds was $1,054,152 and $848,740 as of June 30, 2021 and 2020 , respectively.

NOTE 8 LINE OF CREDIT

The Organization had a line of credit with a local financial institution in the amount of $2,000,000 to provide for short-term cash flow needs which matured on March 25, 2021. The interest rate is the greater of a floating rate equal to the bank’s index less 0.25% (3.25% at June 30, 2021). The effective interest rate was 3.00% for the fiscal year ended June 30, 2021. Interest expense under the line of credit for the fiscal year ended June 30, 2021 was $-0-. There was no outstanding balance on the line of credit at June 30, 2021. The line of credit is secured by receivables, property, and equipment.

The Organization is currently renewing the line of credit and the bank has extended the line of credit until the renewal is complete.

NOTE 9 AGENCY FUNDS

The Organization is acting as an agent for two foundations. For one foundation, the Organization recognized $23,677 in 2021 and $12,320 in 2020 of income for services performed under the agreement and the agreement terminated on June 30, 2021. The balance of the funds for this foundation was $16,404 and $22,387 at June 30, 2021 and 2020, respectively. The other Foundation does not provide income to the Organization and the balance of the funds for this foundation was $62,880 and $177,130 at June 30, 2021, and 2020, respectively. The agreement terminates on December 31, 2021.

NOTE 10 OPERATING LEASES

The Organization leases office space and equipment under the provisions of long-term lease agreements classified as operating leases for accounting purposes. The operating leases for office space and equipment have remaining noncancelable lease terms through fiscal 2026.

The future minimum rental payments required under the operating leases after June 30, 2021 are as follows:

Year Ending June 30,	Amount
2022	$ 787,739
2023	677,359
2024	394,726
2025	335,740
2026	213,653
Total Minimum Payments	$ 2,409,217

Total rental expense was $1,003,907 and $1,002,810 for the years ended June 30, 2021 and 2020, respectively.

During the fiscal year ended June 30, 2019, the Organization received from its landlords $100,989 as a reimbursement for tenant improvements. The Organization has deferred the funds and will recognized the income as a reduction of rental expense over the life of the lease. The balance at June 30, 2021 and 2020, was $9,935 and $43,460, respectively and is included in accrued rent and lease incentives.

NOTE 11 DONATED FACILITIES AND SERVICES

The Organization received $1,459,086 of space for its Head Start program and $5,990 of donated legal services for management services during the fiscal year ended June 30, 2021, that is included in revenues and expenses in the consolidated statement of activities. The value of the space and legal services was obtained using estimated fair values.

NOTE 11 DONATED FACILITIES AND SERVICES (CONTINUED)

The Organization received $1,327,274 of space for its Head Start program and $11,345 of donated legal services for management services during the fiscal year ended June 30, 2020, that is included in revenues and expenses in the consolidated statement of activities. The value of the space and legal services was obtained using estimated fair values.

In addition, the organization capitalized $4,946 of property and equipment for its Head Start program and $5,000 of donated prepaid gift cards for management and general function during the fiscal year ended June 30, 2020. These items are included in revenues in the consolidated statements of activities.

The Organization also received donated services from a variety of unpaid volunteers and parents. No amounts have been recognized in the accompanying consolidated statements of activities because the criteria for recognition of such volunteer efforts under accounting standards have not been satisfied. The estimated values of these services associated with the Head Start program were $71,721 and $486,396 for the fiscal years ended June 30, 2021 and 2020, respectively.

NOTE 12 NET ASSETS

The following is a summary of net assets with donor restrictions at June 30, 2021 and 2020

	2021	2020
Head Start	$ 248,986	$ 49,932
Family Support Services	6,011	16,299
Children with Disabilities	1,169,439	763,669
Mental Health	253,502	276,419
Professional Training and Education	669,570	452,931
Senior Volunteers	232,776	269,508
Family Assistance and Other	86,736	63,106
Total Net Assets With Donor Restrictions	$ 2,667,020	$ 1,891,864

Net assets of $1,195,295 and $1,418,513 were released from restriction for the years ended June 30, 2021 and 2020, respectively. These releases were related to program and time restricted restrictions.

NOTE 13 RETIREMENT PLANS

Full-time employees of the Organization are eligible to participate in a defined contribution retirement plan established in accordance with Section 401(k) of the IRC. The Organization is not required to contribute to the plan during the year, but may contribute if funds are available. For the years ended June 30, 2021, and 2020 the Organization contributed $1,725,371 and $1,364,684, respectively, to the plan. Employee contributions totaled $1,821,098 and $1,666,825 during the years ended June 30, 2021 and June 30, 2020, respectively.

NOTE 13 RETIREMENT PLANS (CONTINUED)

Effective January 1, 2021, the Organization established a deferred compensation plan for the benefit of certain eligible employees, which qualify under Section 457(B) of the IRC. The Organization holds investments for the sole purpose of funding deferred compensation liabilities. According to the terms of the deferred compensation agreement, all earnings or losses on the deferred compensation amounts to be invested will be allocated directly to the participants in the plan and are recorded to the deferred compensation liability. The investment in the deferred compensation plan balance was $38,968 as of June 30, 2021. During the year ended June 30, 2021, the Organization made employer contributions to the deferred compensation plan of $33,000.

The investments in the deferred compensation plan are measured on a recurring basis and considered Level 2 measurements because the investments are pooled separate funds.

NOTE 14 CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, and cash equivalents. The Organization places its cash with high-credit quality financial institutions and generally limits the amount of credit exposure to the amount in excess of the FDIC insurance coverage limit of $250,000. Management believes there are no unusual risks associated with current depository institutions.

The Organization maintains cash balances at one primary financial institution. Cash equivalents consist of highly – liquid debt instruments purchased with original maturities of three months or less. The bank at which the funds are deposited (Wells Fargo) is a large commercial bank. Management periodically evaluates the risk associated with concentration of deposits. It is the opinion of management that solvency of the referenced financial institution is not of concern at this time.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

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

NOTE 15 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In June 2021, the Organization signed a contract to implement a new electronic medical record and billing system and will incur approximately $450,000 for the implementation in the next fiscal year.

During the current fiscal year, the Organization signed construction contracts for the buildout of two modular Head Start sites. At June 30, 2021, approximately $1,765,000 is remaining to be paid for these two contracts.

NOTE 16 REVENUE AND RECEIVABLE CONCENTRATION

The Organization received approximately 21% of its revenue from one federal government contract and 69% of its revenue was from the state of Arizona during the year ended June 30, 2021. Approximately 85% of the accounts receivable balance was due from two government funders as of June 30, 2021.

The Organization received approximately 25% of its revenue from one federal government contract and 70% of its revenue was from the state of Arizona during the year ended June 30, 2020. Approximately 78% of the accounts receivable balance was due from two government funders as of June 30, 2020.

NOTE 17 FUNCTIONAL ALLOCATIONS

The costs of proving the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Salaries and employee related expenses are allocated based on the department that the employee works. Expenses, other than salaries and employee related expenses, which are not directly identifiable by program or supporting services, are allocated based on allocation of salaries and related expenses.

NOTE 18 NEW ACCOUNTING STANDARDS

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the entity's leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance are effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the entity's consolidated financial statements.

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	SWHD	Educare Arizona	Eliminations	Consolidated
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	$ 31,753,005	$ 359,050	$ -	$ 32,112,055
Accounts Receivable, Net	9,474,788	-	(40,269)	9,434,519
Pledges Receivable	165,781	50,000	-	215,781
Prepaid Expenses	329,979	-	-	329,979
Total Current Assets	41,723,553	409,050	(40,269)	42,092,334
NONCURRENT ASSETS				
Unemployment Reserves	759,037	-	-	759,037
Investment in Educare Arizona	8,645,713	-	(8,645,713)	-
Property and Equipment, Net	4,875,159	7,571,144	-	12,446,303
Deposits	65,905	-	-	65,905
Investment in Deferred Compensation Plan	38,968	-	-	38,968
Total Noncurrent Assets	14,384,782	7,571,144	(8,645,713)	13,310,213
Total Assets	$ 56,108,335	$ 7,980,194	$ (8,685,982)	$ 55,402,547
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	$ 2,069,447	$ -	$ -	$ 2,069,447
Accrued Payroll and Employee Benefits	3,161,540	40,269	(40,269)	3,161,540
Compensated Absences Payable	1,155,870	-	-	1,155,870
Agency Funds	79,284	-	-	79,284
Accrued Rent and Lease Incentives	13,650	-	-	13,650
Deferred Revenue	1,103,216	-	-	1,103,216
Total Current Liabilities	7,583,007	40,269	(40,269)	7,583,007
NONCURRENT LIABILITIES				
Deferred Compensation Liability	38,968	-	-	38,968
Total Liabilities	7,621,975	40,269	(40,269)	7,621,975
NET ASSETS				
Without Donor Restrictions	45,819,340	7,763,972	(8,469,760)	45,113,552
With Donor Restrictions	2,667,020	175,953	(175,953)	2,667,020
Total Net Assets	48,486,360	7,939,925	(8,645,713)	47,780,572
Total Liabilities and Net Assets	$ 56,108,335	$ 7,980,194	$ (8,685,982)	$ 55,402,547

SOUTHWEST HUMAN DEVELOPMENT, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	SWHD	Educare Arizona	Eliminations	Consolidated
REVENUE AND SUPPORT				
Fees and Grants from Governments	$ 59,103,149	$ -	$ -	$ 59,103,149
Charges for Services	3,031,397	-	-	3,031,397
Contributions and Donations	24,132,269	306,880	-	24,439,149
Donated Facilities	1,466,464	-	-	1,466,464
Interest	2,456	(3)	-	2,453
Miscellaneous Income	229,676	-	-	229,676
Change in Estimate-Reserve of Self Insured Health Benefits	1,069,153	-	-	1,069,153
Loss of Educare Arizona	(157,248)	-	157,248	-
Total Revenue and Support	88,877,316	306,877	157,248	89,341,441
EXPENSES				
Program Services:				
Head Start and Professional Development Institute	20,953,117	444,811	-	21,397,928
Family Support Services	16,536,769	-	-	16,536,769
Services for Children with Disabilities	4,582,962	-	-	4,582,962
Mental Health	5,079,399	-	-	5,079,399
Professional Development and Training	9,720,287	-	-	9,720,287
Supporting Services:				
Management and General	8,074,317	10,814	-	8,085,131
Fundraising	584,392	8,500	-	592,892
Total Expenses	65,531,243	464,125	-	65,995,368
CHANGES IN NET ASSETS	23,346,073	(157,248)	157,248	23,346,073
Net Assets - Beginning of Year	25,140,287	8,097,173	(8,802,961)	24,434,499
NET ASSETS - END OF YEAR	$ 48,486,360	$ 7,939,925	$ (8,645,713)	$ 47,780,572

SOUTHWEST HUMAN DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES – SOUTHWEST HUMAN DEVELOPMENT, INC.
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	Program Services						Supporting Services		
	Head Start and Professional Development Institute	Family Support Services	Service for Children With Disabilities	Mental Health	Professional Development and Training	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and Wages	$ 11,703,746	$ 12,526,646	$ 3,439,853	$ 3,599,149	$ 5,194,986	$ 36,464,380	$ 3,198,767	$ 325,796	$ 39,988,943
Employee Related Expenses	2,883,439	3,099,518	847,721	887,713	1,277,714	8,996,105	775,988	80,139	9,852,232
Donated Facilities	1,459,086	-	-	-	-	1,459,086	11,565	-	1,470,651
Professional Fees	1,546,441	24,512	96,991	413,971	521,230	2,603,145	504,007	4,341	3,111,493
Travel	27,713	143,843	1,469	18,574	69,073	260,672	4,510	-	265,182
Occupancy	797,050	15,053	41,613	5,087	174,834	1,033,637	1,023,001	-	2,056,638
Rental and Maintenance of Equipment	193,216	379,767	92,585	46,007	172,399	883,974	358,978	-	1,242,952
Supplies	1,254,117	91,691	25,407	19,663	255,120	1,645,998	158,357	57,978	1,862,333
Communication	550,824	177,053	26,404	32,295	41,633	828,209	319,284	7,634	1,155,127
Training	260,779	43,032	9,935	54,675	73,957	442,378	44,663	-	487,041
Insurance	2,201	-	-	-	-	2,201	203,227	550	205,978
Bank Fees and Charges	7,370	-	-	-	-	7,370	28,951	-	36,321
Bad Debt Expense	-	-	-	-	-	-	534,212	-	534,212
Other	73,570	11,954	984	2,265	10,794	99,567	352,112	107,954	559,633
Childcare Center Materials	41,699	-	-	-	1,928,547	1,970,246	-	-	1,970,246
Donations and Contributions	-	-	-	-	-	-	750	-	750
Parent and Family Assistance	13,748	23,700	-	-	-	37,448	172,317	-	209,765
Depreciation	138,118	-	-	-	-	138,118	383,628	-	521,746
Total Expenses by Function	$ 20,953,117	$ 16,536,769	$ 4,582,962	$ 5,079,399	$ 9,720,287	$ 56,872,534	$ 8,074,317	$ 584,392	$ 65,531,243

SOUTHWEST HUMAN DEVELOPMENT, INC.
STATEMENT OF CASH FLOWS – SOUTHWEST HUMAN DEVELOPMENT, INC.
YEAR ENDED JUNE 30, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Fees, Grants, and Contributions	$ 85,438,282
Interest Income Received	2,693
Cash Paid to Employees for Services	(49,804,828)
Cash Paid to Suppliers for Goods and Services	(12,831,741)
Net Cash Provided by Operating Activities	22,804,406
CASH FLOWS FROM INVESTING ACTIVITIES	
Decrease in Unemployment Reserve	6,544
Purchases of Property and Equipment	(1,623,886)
Net Cash Used by Investing Activities	(1,617,342)
CASH FLOWS FROM FINANCING ACTIVITIES	
Increase in Agency Funds	(120,233)
Net Cash Provided by Financing Activities	(120,233)
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,066,831
Cash and Cash Equivalents - Beginning of Year	10,686,174
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 31,753,005
RECONCILIATION OF CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Changes in Net Assets	$ 23,346,073
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	521,746
Change in Estimate-Reserve of Self Insured Health Benefits	(1,069,153)
Unrealized Gains on Unemployment Reserve	(60,456)
Donated Prepaid Gift Cards - Received	(1,388)
Donated Prepaid Gift Cards - Used	5,575
Bad Debt Expenses	534,212
Loss of Educare Arizona	157,248
(Increase) Decrease in Assets:	
Accounts Receivable	(1,079,411)
Pledges Receivable	(43,261)
Prepaid Expenses	(230,130)
Deposits	(1,800)
Investment in Deferred Compensation Plan	(38,968)
Increase (Decrease) in Liabilities:	
Accounts Payable	616,380
Accrued Payroll and Employee Benefits	116,138
Compensated Absences Payable	(79,791)
Accrued Rent and Lease Incentives	(52,732)
Deferred Revenue	125,156
Deferred Compensation Liability	38,968
Net Cash Provided by Operating Activities	$ 22,804,406
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Property and Equipment in Accounts Payable	$ 200,910