

SAAVI SERVICES FOR THE BLIND

**AUDITED FINANCIAL STATEMENTS AND
SINGLE AUDIT REPORTS AND SCHEDULES**
Years ended December 31, 2022 and 2021



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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SINGLE AUDIT REPORTS AND SCHEDULES
Years ended December 31, 2022 and 2021

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JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Saavi Services for the Blind
Tucson, Arizona

Opinion

I have audited the accompanying financial statements of Saavi Services for the Blind (an Arizona nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saavi Services for the Blind as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Saavi Services for the Blind and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Saavi Services for the Blind's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's responsibilities for the audit of the financial statements

My 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 my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- 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 Saavi Services for the Blind'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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Saavi Services for the Blind's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Supplementary information

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

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 14, 2023 on my consideration of Saavi Services for the Blind's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit

Board of Directors
Saavi Services for the Blind
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performed in accordance with *Government Auditing Standards* in considering Saavi Services for the Blind's internal control over financial reporting and compliance.

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

JENNIFER J. PHILLIPS, CPA, PLLC
Tucson, Arizona

July 14, 2023

SAAVI SERVICES FOR THE BLIND
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,147,250	\$ 3,892,618
Restricted cash - building improvements - Note 3	-	149,255
Operating investments - Note 4	605,361	744,277
Contracts receivable - net of allowance of \$50,000 and \$13,559, respectively - Note 13	1,829,314	933,455
Grants receivable	1,315,029	162,511
Other receivables	13,646	11,318
Prepaid expenses and other assets	18,618	53,709
Client equipment inventory	33,412	19,652
Land held for investment - Note 4	11,129	11,129
Property and equipment - Notes 5, 6 and 7	5,610,338	4,552,264
Endowments:		
Cash and cash equivalents - Note 10	6,895	1,341
Investments - Notes 4 and 10	166,648	205,639
	<u>\$ 10,757,640</u>	<u>\$ 10,737,168</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 147,310	\$ 70,107
Accrued expenses	82,450	64,200
Accrued vacation payable	235,640	187,957
Line of credit payable - Note 6	-	33,880
Notes payable - Note 7	5,767,193	5,578,025
Custodial liabilities	3,544	4,034
	<u>6,236,137</u>	<u>5,938,203</u>
Net assets:		
Without donor restrictions:		
Available for operations	2,431,811	3,483,622
Expended for property and equipment and land held for investment	1,916,149	958,363
	<u>4,347,960</u>	<u>4,441,985</u>
With donor restrictions:		
Timing and purpose restrictions - Note 9	-	150,000
Endowments - Notes 9 and 10	173,543	206,980
	<u>173,543</u>	<u>356,980</u>
	<u>4,521,503</u>	<u>4,798,965</u>
	<u>\$ 10,757,640</u>	<u>10,737,168</u>

See Accompanying Notes.

SAVI SERVICES FOR THE BLIND
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and support:			
Fees earned from the State of Arizona, Department of Economic Security	\$ 4,182,927	\$ -	\$ 4,182,927
Governmental grants	1,551,958	-	1,551,958
Contributions	154,672	-	154,672
Bequests	-	-	-
In-kind revenue - Note 11	211,389	-	211,389
Net investment return	(119,795)	(33,437)	(153,232)
Settlement revenue - Note 14	-	-	-
Gain on sale of property	14,791	-	14,791
Other revenue	39,829	-	39,829
	<u>6,035,771</u>	<u>(33,437)</u>	<u>6,002,334</u>
Net assets released from restrictions	150,000	(150,000)	-
Total revenues and support	<u>6,185,771</u>	<u>(183,437)</u>	<u>6,002,334</u>
Expenses:			
Program services	5,494,330	-	5,494,330
Management and general	552,767	-	552,767
Fundraising	232,699	-	232,699
Total expenses	<u>6,279,796</u>	<u>-</u>	<u>6,279,796</u>
Change in net assets	(94,025)	(183,437)	(277,462)
Net assets, beginning of year, as restated - Note 16	<u>4,441,985</u>	<u>356,980</u>	<u>4,798,965</u>
Net assets, end of year	<u>\$ 4,347,960</u>	<u>\$ 173,543</u>	<u>\$ 4,521,503</u>

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Revenues and support:			
Fees earned from the State of Arizona, Department of Economic Security	\$ 4,305,656	\$ -	\$ 4,305,656
Governmental grants	1,058,329	-	1,058,329
Contributions	173,802	150,000	323,802
Bequests	11,226	-	11,226
In-kind revenue - Note 11	3,842	-	3,842
Net investment return	75,964	20,567	96,531
Settlement revenue - Note 14	344,607	-	344,607
Gain on sale of property	9,088	-	9,088
Other revenue	4,150	-	4,150
	<u>5,986,664</u>	<u>170,567</u>	<u>6,157,231</u>
Net assets released from restrictions	-	-	-
Total revenues and support	<u>5,986,664</u>	<u>170,567</u>	<u>6,157,231</u>
Expenses:			
Program services	4,443,356	-	4,443,356
Management and general	461,125	-	461,125
Fundraising	155,395	-	155,395
Total expenses	<u>5,059,876</u>	<u>-</u>	<u>5,059,876</u>
Change in net assets	926,788	170,567	1,097,355
Net assets, beginning of year	<u>3,515,197</u>	<u>186,413</u>	<u>3,701,610</u>
Net assets, end of year, as restated - Note 16	<u>\$ 4,441,985</u>	<u>\$ 356,980</u>	<u>\$ 4,798,965</u>

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2022

	Program services					
	Rehabilitation and employ- ment services	Develop- mental disability services	Total	Management and general	Fundraising	Total
Salaries	\$ 2,962,515	\$ 92,855	\$ 3,055,370	\$ 328,744	\$ 127,805	\$ 3,511,919
Payroll taxes	211,213	7,634	218,847	22,903	12,724	254,474
Employee benefits	268,243	9,696	277,939	44,124	1,121	323,184
Total personnel	3,441,971	110,185	3,552,156	395,771	141,650	4,089,577
Bad debt expense	50,000	-	50,000	-	-	50,000
Bank service charges	-	-	-	3,259	-	3,259
Building repairs	75,444	1,734	77,178	6,937	2,602	86,717
Client assistance	113,525	-	113,525	-	-	113,525
Depreciation	206,448	7,462	213,910	22,386	12,437	248,733
Dues and subscriptions	25,781	932	26,713	2,796	1,553	31,062
Equipment expenses	42,752	1,545	44,297	4,636	2,575	51,508
Insurance	104,906	3,792	108,698	11,375	6,320	126,393
Interest expense	185,054	4,254	189,308	17,017	6,381	212,706
Meetings and conferences	139,994	5,060	145,054	15,181	8,433	168,668
Occupancy	296,115	6,807	302,922	27,229	10,211	340,362
Other expenses	44,262	1,600	45,862	4,800	2,666	53,328
Postage and reproduction	3,834	139	3,973	415	231	4,619
Professional services	161,909	5,852	167,761	17,556	9,754	195,071
Program equipment	90,628	-	90,628	-	-	90,628
Public relations/advertising	-	-	-	-	14,881	14,881
Rent for client housing	138,662	-	138,662	-	-	138,662
Supplies	88,524	3,200	91,724	9,598	5,333	106,655
Travel	68,995	2,494	71,489	7,482	4,156	83,127
Vehicle expense	58,361	2,109	60,470	6,329	3,516	70,315
	\$ 5,337,165	\$ 157,165	\$ 5,494,330	\$ 552,767	\$ 232,699	\$ 6,279,796

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2021

	<u>Program services</u>					
	<u>Rehabilitation and employ- ment services</u>	<u>Develop- mental disability services</u>	<u>Total</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 2,500,830	\$ 105,084	\$ 2,605,914	\$ 347,011	\$ 115,056	\$ 3,067,981
Payroll taxes	193,351	9,463	202,814	17,994	6,309	227,117
Employee benefits	326,382	14,584	340,966	7,929	1,121	350,016
Total personnel	<u>3,020,563</u>	<u>129,131</u>	<u>3,149,694</u>	<u>372,934</u>	<u>122,486</u>	<u>3,645,114</u>
Bad debt expense	4,936	-	4,936	-	-	4,936
Bank service charges	-	-	-	1,605	-	1,605
Building repairs	33,953	1,643	35,596	2,738	1,095	39,429
Client assistance	57,936	-	57,936	-	-	57,936
Depreciation	94,152	4,556	98,708	7,593	3,037	109,338
Dues and subscriptions	6,513	315	6,828	526	210	7,564
Equipment expenses	24,543	564	25,107	2,258	846	28,211
Insurance	104,561	2,404	106,965	9,615	3,606	120,186
Interest expense	-	-	-	6,875	-	6,875
Meetings and conferences	23,344	508	23,852	4,825	-	28,677
Occupancy	336,768	16,295	353,063	27,160	10,863	391,086
Other expenses	28,651	1,625	30,276	2,709	1,083	34,068
Postage and reproduction	2,742	133	2,875	221	88	3,184
Professional services	179,298	8,676	187,974	14,459	5,784	208,217
Program equipment	112,881	-	112,881	-	-	112,881
Public relations/advertising	-	-	-	-	2,441	2,441
Rent for client housing	122,601	-	122,601	-	-	122,601
Supplies	53,995	2,613	56,608	4,354	1,742	62,704
Travel	23,948	1,220	25,168	-	813	25,981
Vehicle expense	40,336	1,952	42,288	3,253	1,301	46,842
	<u>\$ 4,271,721</u>	<u>\$ 171,635</u>	<u>\$ 4,443,356</u>	<u>\$ 461,125</u>	<u>\$ 155,395</u>	<u>\$ 5,059,876</u>

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
STATEMENTS OF CASH FLOWS
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ (277,462)	\$ 1,097,355
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	248,733	109,338
(Gain) on sale of property	(14,791)	(9,088)
Realized/unrealized (gains) on operating investments	130,987	(66,269)
Endowment net investment (return) loss	33,437	(20,567)
Donated vehicles	(205,264)	-
(Increase) decrease in operating assets:		
Contracts receivable	(895,859)	62,122
Grants receivable	(1,152,518)	(121,125)
Other receivables	(2,328)	(4,657)
Prepaid expenses and other assets	35,091	39,603
Client equipment inventory	(13,760)	(9,208)
Increase (decrease) in operating liabilities:		
Accounts payable	77,203	53,036
Accrued payroll and other expenses	18,250	(3,426)
Accrued vacation payable	47,683	12,968
Accrued lease liability	-	(23,712)
Custodial liabilities	(490)	(518)
Net cash provided by (used in) operating activities	<u>(1,971,088)</u>	<u>1,115,852</u>
Cash flows from investing activities:		
Purchases of property and equipment	(860,438)	(653,836)
Proceeds from sale of property	27,536	9,088
Purchases of operating investments/reinvested dividends	(327,913)	(227,926)
Proceeds from sale of operating investments	335,842	213,844
Net (addition to)/withdrawal from endowment	5,554	(1,770)
Net cash (used in) investing activities	<u>(819,419)</u>	<u>(660,600)</u>
Cash flows from financing activities:		
Net borrowings (repayments) on line of credit	(33,880)	33,880
Proceeds from note payable	55,000	2,006,875
Repayments of notes payable	(119,682)	-
Net cash provided by (used in) financing activities	<u>(98,562)</u>	<u>2,040,755</u>
Net change in cash and cash equivalents	(2,889,069)	2,496,007
Cash, cash equivalents and restricted cash, beginning of year	<u>4,043,214</u>	<u>1,547,207</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,154,145</u>	<u>\$ 4,043,214</u>

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
STATEMENTS OF CASH FLOWS - continued
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Supplemental disclosures:</u>		
Cash paid for interest	\$ <u>212,706</u>	\$ <u>23,403</u>
No cash paid for income taxes in 2022 or 2021.		
Non-cash activity:		
Purchase of properties in exchange for debt	\$ <u>253,850</u>	\$ <u>3,571,150</u>

See Accompanying Notes.

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – Nature of operations

Saavi Services for the Blind’s (Saavi’s) mission is to provide dynamic and progressive programs and services to meet the rehabilitation and social needs of individuals with vision impairment, promoting individuals to become active participants in determining their success, and raising public awareness through community involvement and establishment of partnerships with others. Funding is received principally from private donors and from vendor contracts with the State of Arizona Department of Economic Security.

During the year ended December 31, 2022, Saavi legally changed its name from Southern Arizona Association for the Visually Impaired to Saavi Services for the Blind.

Saavi’s two major programs are:

- Rehabilitation and employment services, which provide rehabilitation skills, computer, and job search skills to adults who have vision loss; and
- Developmental disability services, which provides individual and group counseling to strengthen social and communication skills and promote participant autonomy.

NOTE 2 – Summary of significant accounting policies

Cash and cash equivalents

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

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows as of December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 1,147,250	\$ 3,892,618
Restricted cash - building improvements	-	149,255
Endowment cash and cash equivalents	6,895	1,341
	\$ 1,154,145	\$ 4,043,214

Investments

Investments are stated at fair market value. Donated investments are recorded at their fair market value at the date of gift. Net investment income/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Contracts and grants receivable

Contracts and grants receivable are stated at the amount management expects to collect from various governmental entities on outstanding balances. All receivables are due within one year. These amounts contain no collateral provisions for collection.

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Client equipment inventory

Inventories are stated at the lower of cost (first-in, first-out method) or market except for donated inventory which is valued at the fair value at the date of donation. Inventory consists of visual aids purchased for issuance to clients enrolled in rehabilitation programs.

Property and equipment

Saavi capitalizes all expenditures for property and equipment in excess of \$5,000 and/or aggregate of \$5,000 for like equipment with a useful life of two years or more. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset.

Saavi reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. Saavi has determined that there were no indicators of asset impairment during either of the years ended December 31, 2022 or 2021.

Vacation pay

Vacation pay is accrued as a liability when earned by the employees since the employees receive vested rights to this benefit.

Custodial liabilities

Custodial liabilities consist of funds Saavi is holding for participants in the developmental disabilities program to be used toward program activity expenses and funds held for social clubs.

Net assets

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

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor restrictions.

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

Saavi reports 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, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Endowments

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

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

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

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

Revenue and revenue recognition

DES/RSA contract revenue is recognized in the period in which the related services are performed. The performance obligation consists of providing attendant and respite services to individuals with disabilities. Services are simultaneously received and consumed.

Saavi recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Saavi's cost reimbursable federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. There were no conditional contributions that had not been recognized in the accompanying financial statements as of either December 31, 2022 or 2021.

In-kind contributions

Contributed nonfinancial assets include donated professional services, donated vehicles and equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. Saavi does not sell donated gifts-in-kind. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during either of the years ended December 31, 2022 or 2021.

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Donated services are recognized in the financial statements at their fair market value if the following criteria are met:

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

Saavi's volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional allocation of expenses

The Board of Directors has approved a plan to allocate costs to various programs, grants, contracts, agreements and functions.

The general approach of the plan follows:

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

Advertising costs

Advertising costs are expensed as incurred.

Income tax status

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

Management of Saavi considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the organization's status as a not-for-profit entity. Management believes that Saavi met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax, therefore, no provision for income taxes has been provided in these financial statements. Accordingly, Saavi has not filed an *Exempt Organization Business Income Tax Return* (Form 990-T) with the Internal Revenue Service (IRS) for either of the years ended December 31, 2022 or 2021.

Use of estimates

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

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 2 – Summary of significant accounting policies – continued

Fair value measurements

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

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

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

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

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

Financial instruments and credit risk

Saavi manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, Saavi has not experienced losses in any of these accounts. As of December 31, 2022, uninsured cash totaled \$563,955.

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

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

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 3 – Liquidity and availability

Financial assets available for general expenditure (without donor or other restrictions limiting their use) within one year of the statement of financial position date comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,147,250	\$ 3,842,618
Operating investments	605,361	744,277
Receivables	3,157,989	1,107,284
	<u>\$ 4,910,600</u>	<u>\$ 5,694,179</u>

As part of Saavi’s liquidity management plan, cash in excess of annual operating requirements is invested in exchange-traded funds (see Note 4). As of December 31, 2021, Saavi held \$149,255 in a construction escrow reserve account to be used for building improvements to their Phoenix building. These funds were disbursed to the contractor as work progressed. Endowment funds consist of donor-restricted endowments. Income from endowments are restricted for higher education and future operations. Income from the endowment funds is not available for general expenditure until appropriated by the Board.

NOTE 4 – Fair value measurements

Investments at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Operating investments	\$ 605,361	\$ 744,277
Endowments	166,648	205,639
	<u>\$ 772,009</u>	<u>\$ 949,916</u>

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds (ETFs)	\$ 772,009	\$ -	\$ 772,009
Land held for investment	-	11,129	11,129
	<u>\$ 772,009</u>	<u>\$ 11,129</u>	<u>\$ 783,138</u>

Assets and liabilities measured at fair value were as follows at December 31, 2021:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Exchange-traded funds (ETFs)	\$ 949,916	\$ -	\$ 949,916
Land held for investment	-	11,129	11,129
	<u>\$ 949,916</u>	<u>\$ 11,129</u>	<u>\$ 961,045</u>

Changes in Level 3 assets measured at fair value on a recurring basis using significant unobservable inputs were as follows for the years ended December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 11,129	\$ 11,129
Change in value	-	-
Ending balance	<u>\$ 11,129</u>	<u>\$ 11,129</u>

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 4 – Fair value measurements – continued

Valuation techniques

The fair value of Saavi's marketable securities are determined by reference to quoted prices in active markets for identical assets and other relevant information generated by market transactions. The fair value of land held for investment was determined using the property tax value of the land. There were no changes in valuation techniques during either of the years ended December 31, 2022 or 2021. Determinations of transfers between levels are made on an annual basis at year-end. There were no transfers between levels for either of the years ended December 31, 2022 and 2021.

NOTE 5 – Property and equipment

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021
Land and improvements	\$ 851,486	\$ 851,486
Buildings and improvements	5,225,795	4,082,197
Leasehold improvements	-	141,648
Furniture, fixtures and equipment	589,480	547,482
Vehicles	600,500	572,985
Construction-in-progress	13,116	308,941
	7,280,377	6,504,739
Less accumulated depreciation	(1,670,039)	(1,952,475)
	\$ 5,610,338	\$ 4,552,264

NOTE 6 – Lines of credit payable

Saavi has an unsecured \$200,000 line of credit with a financial institution to be drawn as needed, maturing in February 2024. The outstanding balance on this line of credit was \$0 at both December 31, 2022 and 2021. Any outstanding principal bears interest equal to the prime rate plus 1% (8.50% and 4.55% at December 31, 2022 and 2021, respectively).

Saavi also has an unsecured \$75,000 revolving business line of credit with a financing company to be drawn as needed for the purchase of computer equipment. The outstanding balance on this line of credit was \$0 and \$33,880 at December 31, 2022 and 2021, respectively. The variable annual percentage interest rate is 25.39% and 21.64% as of December 31, 2022 and 2021, respectively.

NOTE 7 – Notes payable

During the year ended December 31, 2021, Saavi signed a note payable to a bank to finance the purchase of real property in Phoenix, AZ. The note is secured by the property. Payments on the note payable are \$14,842 per month with the note maturing in August 2037. The outstanding balance was \$1,967,510 and \$1,746,150 at December 31, 2022 and 2021, respectively. The annual interest rate on the note is a fixed rate of 3.99%.

During the year ended December 31, 2021, Saavi signed a note payable to a private lender to finance the purchase of real property in Tucson, AZ. The note is secured by the property. Payments on the note payable are \$13,961 per month with the note maturing in January 2028. The outstanding balance was \$1,737,808 and \$1,825,000 at December 31, 2022 and 2021, respectively. The annual interest rate on the note is a fixed rate of 3.99%.

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 7 – Notes payable – continued

In November 2021, Saavi was granted a \$2,000,000 COVID-19 Economic Injury Disaster Loan (EIDL) administered by the Small Business Administration (SBA). The loan is collateralized by real property. The SBA has automatically deferred payment until May 2024 (30 months from the date of the note). Payments will be due in \$8,975 monthly installments, including interest of 2.75% per annum. The note matures in November 2051. The outstanding balance was \$2,061,875 and \$2,006,875 at December 31, 2022 and 2021, respectively, including accrued interest.

Future minimum payments on the notes payable are the following:

Year ending December 31, 2023	\$ 192,636
2024	233,782
2025	260,013
2026	270,473
2027	279,903
Thereafter	<u>4,530,386</u>
	<u>\$ 5,767,193</u>

NOTE 8 – Refundable advances

In April 2020, Saavi was granted a \$968,700 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. In February 2021, Saavi received a second draw in the amount of \$874,118. Saavi initially recorded the loans as refundable advances and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. Eligible expenses in the amount of \$968,700 were incurred during the year ended December 31, 2020, and, accordingly, Saavi recognized a contribution (governmental grant) during that year. The remaining \$874,118 (second draw) was recognized during the year ended December 31, 2021.

NOTE 9 – Net assets with donor restrictions

Net assets with donor restrictions was as follows for the year ended December 31, 2022:

	Beginning balance	Contributions/ grants	Investment return (loss)	Releases	Ending balance
Timing restriction - 2022	\$ 100,000	\$ -	\$ -	\$ (100,000)	\$ -
Purpose - R.E.A.L program	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Endowments:					
Subject to appropriation and expenditure (purpose):					
Higher education	61,192	-	(32,384)	-	28,808
Operations	<u>1,696</u>	<u>-</u>	<u>(1,053)</u>	<u>-</u>	<u>643</u>
	62,888	-	(33,437)	-	29,451
Subject to endowment spending policy and appropriation:					
Higher education	139,556	-	-	-	139,556
Operations	<u>4,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,536</u>
	144,092	-	-	-	144,092
Total endowments	<u>206,980</u>	<u>-</u>	<u>(33,437)</u>	<u>-</u>	<u>173,543</u>
	<u>\$ 356,980</u>	<u>\$ -</u>	<u>\$ (33,437)</u>	<u>\$ (150,000)</u>	<u>\$ 173,543</u>

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 9 – Net assets with donor restrictions – continued

Net assets with donor restrictions was as follows for the year ended December 31, 2021:

	Beginning balance	Contributions/ grants	Investment return (loss)	Releases	Ending balance
Timing restriction - 2022	\$ -	\$ 100,000	\$ -	\$ -	\$ 100,000
Purpose - R.E.A.L program	-	50,000	-	-	50,000
Endowments:					
Subject to appropriation and expenditure (purpose):					
Higher education	41,273	-	19,919	-	61,192
Operations	1,048	-	648	-	1,696
	<u>42,321</u>	<u>-</u>	<u>20,567</u>	<u>-</u>	<u>62,888</u>
Subject to endowment spending policy and appropriation:					
Higher education	139,556	-	-	-	139,556
Operations	4,536	-	-	-	4,536
	<u>144,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,092</u>
Total endowments	<u>186,413</u>	<u>-</u>	<u>20,567</u>	<u>-</u>	<u>206,980</u>
	<u>\$ 186,413</u>	<u>\$ 150,000</u>	<u>\$ 20,567</u>	<u>\$ -</u>	<u>\$ 356,980</u>

NOTE 10 – Endowments

Funds with deficiencies

From time to time, donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Organization has interpreted the Act to permit spending from underwater endowments in accordance with prudent measures required under law. Deficiencies of \$0 were reported in net assets with donor restrictions as of both December 31, 2022 and 2021.

Return objectives and risk parameters

Saavi has adopted investment policies including those for endowment assets that attempt to preserve the capital, preserve the purchasing power, and achieve long-term growth of capital of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, all assets including endowment assets are invested in a manner that is intended to produce results that exceed various external benchmarks while assuming a moderate level of investment risk.

Investment strategies

To satisfy its long-term rate-of-return objectives, Saavi relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Saavi targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending policy

At the beginning of each fiscal year, the Finance Committee recommends the distribution percentage to be utilized for that year for all endowments, which is then approved by Saavi's Board of Directors. For

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 10 – Endowments – continued

higher education, the distribution percentage is utilized to withdraw funds once per year. Awards are approved by the Board of Directors based on recommendations of the Finance Committee. For the operating endowment, the distribution percentage is utilized to determine the amount available for withdrawal, and the Board approves how the funds will be spent.

Endowment fund net assets

Changes in endowment net assets consisted of the following for the years ended December 31, 2022 and 2021:

	With donor restrictions	
	2022	2021
Balance, beginning of year	\$ 206,980	\$ 186,413
Investment return (loss), net	(33,437)	20,567
Balance, end of year	\$ 173,543	\$ 206,980

Endowment fund assets consisted of the following at December 31, 2022 and 2021:

	2022	2021
Cash and cash equivalents	\$ 6,895	\$ 1,341
Investments	166,648	205,639
	\$ 173,543	\$ 206,980

NOTE 11 – In-kind contributions

In-kind contributions for the year ended December 31, 2022 and 2021 consisted of the following:

	2022	2021
Donated vehicles (capitalized)	\$ 205,264	\$ -
Miscellaneous in-kind goods	6,125	3,842
	\$ 211,389	\$ 3,842

The fair value of donated vehicles (See Note 13) is provided by the Arizona Department of Transportation. Other in-kind contributions are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a “like-kind” methodology considering the goods’ condition and utility for use at the time of the contribution. Contributed vehicles and other goods are used in program services. All gifts in-kind are unrestricted.

NOTE 12 – Retirement benefits

Saavi sponsors a SIMPLE IRA retirement plan. All regular full-time and part-time employees are eligible to participate in the plan, and Saavi matches employee contributions up to 3% of the employee’s salary. Funds deposited into the plan are immediately 100% vested. Total retirement expense was \$51,817 and \$72,358 for the years ended December 31, 2022 and 2021, respectively.

NOTE 13 – Contingencies and concentrations

At both December 31, 2022 and 2021, contracts receivable were due from one funding source (Arizona Department of Economic Security). As of December 31, 2022, Saavi had \$1,829,314 in contracts and

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 13 – Contingencies and concentrations – continued

grants receivable from the Rehabilitation Services Division of the Arizona Department of Economic Security. Of this amount, \$389,183 remains uncollected as of the report date of July 14, 2023. Management believes that the delays are caused by the State of Arizona and that the amounts will eventually be 100% collected. However, there is a potential credit risk and accounting loss that could occur if the State of Arizona fails to perform their obligations for the stated amounts. Revenue from that funding source constituted 70% and 71% of total revenues and support for the years ended December 31, 2022 and 2021, respectively.

Saavi has 17 vehicles substantially paid for by the Arizona Department of Transportation (ADOT), received between the years 2016 and 2022. ADOT has placed a lien on each of the vehicles that will remain in effect throughout the useful life of the vehicle, or until the remaining asset value is less than \$5,000, but in either case for not less than 100,000 miles. Vehicles should be used in the manner they were prescribed for until they reach the end of their useful lives. If the vehicles are sold in excess of \$5,000, the federal share must be returned to ADOT.

NOTE 14 – Settlement revenue

The Regional Transportation Authority (RTA) is a political subdivision of the State of Arizona and is independently governed. The Grant Road Improvement Project is part of the RTA's plan and is managed by the City of Tucson. Due to the road-widening project, the City of Tucson initiated eminent domain proceedings against Saavi. During the year ended December 31, 2021, the case was fully resolved involving a monetary settlement to Saavi of \$101,007, and a property exchange with a net fair value of \$243,600 to Saavi. This property was sold during the year ended December 31, 2021.

NOTE 15 – Leases

During the year ended December 31, 2022, Saavi adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which requires lessees to recognize leases with terms of twelve months or more on the statement of financial position and disclose key information about leasing arrangements. Saavi had no such leases.

SAAVI leases apartments for client programming under one-year leases. Total lease expense for these apartments was \$138,662 and \$122,601 for the years ended December 31, 2022 and 2021, respectively. Future minimum lease payments under these operating leases are \$113,895 for the year ended December 31, 2023.

NOTE 16 – Prior period adjustment/reclassifications

During the year ended December 31, 2022, the following correction was made to net assets at December 31, 2021:

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Balance at December 31, 2021 as originally reported	\$ 4,583,397	\$ 356,980	\$ 4,940,377
Overstatement of contracts receivable	<u>(141,412)</u>	<u>-</u>	<u>(141,412)</u>
Balance at December 31, 2021, as restated	<u>\$ 4,441,985</u>	<u>\$ 356,980</u>	<u>\$ 4,798,965</u>

SAAVI SERVICES FOR THE BLIND
NOTES TO FINANCIAL STATEMENTS - continued
December 31, 2022 and 2021

NOTE 16 – Prior period adjustment/reclassifications – continued

In addition, certain revenue and expense accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 17 – Subsequent events

Management has evaluated subsequent events through July 14, 2023 which is the date the financial statements were available to be issued.



JENNIFER J. PHILLIPS, CPA, PLLC
CERTIFIED PUBLIC ACCOUNTANT

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

Board of Directors
Saavi Services for the Blind
Tucson, Arizona

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Saavi Services for the Blind (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated July 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. I identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned as item 2022-001, that I consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saavi Services for the Blind's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Saavi Services for the Blind's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Saavi Services for the Blind's response to the internal control over compliance finding identified in my audit described in the accompanying schedule of findings and questioned costs. Saavi Services for the Blind's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Purpose of this Report

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



JENNIFER J. PHILLIPS, CPA, PLLC

Tucson, Arizona
July 14, 2023



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

Board of Directors
Saavi Services for the Blind
Tucson, Arizona

Report on Compliance for Each Major Federal Program

Opinion on each major federal program

I have audited Saavi Services for the Blind's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Saavi Services for the Blind's major federal programs for the year ended December 31, 2022. Saavi Services for the Blind's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for opinion on each major federal program

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

I am required to be independent of Saavi Services for the Blind and to meet my other ethical responsibilities, in accordance with relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion on compliance for each major federal program. My audit does not provide a legal determination of Saavi Services for the Blind's compliance with the compliance requirements referred to above.

Responsibilities of management for compliance

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

Auditor's responsibilities for the audit of compliance

My objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an

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

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

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

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

Report on Internal Control Over Compliance

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

My consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during my audit I did not identify

any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

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

JENNIFER J. PHILLIPS, CPA, PLLC

Tucson, Arizona
July 14, 2023

SAAVI SERVICES FOR THE BLIND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting: 2022-001
One material weakness identified.
No significant deficiencies identified.

No noncompliance material to financial statements noted.

Federal awards

Internal control over major programs:
No material weaknesses identified.
No significant deficiencies identified.

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

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

Identification of major programs:
59.008 Disaster Assistance Loan

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

Auditee did not qualify as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

The following represents a material weakness in internal controls:

Finding: 2022-001	Programs: <i>Government Auditing Standards</i>	Questioned Cost: None
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Condition: For the year audited, numerous and material audit adjustments were required for the financial statements to be materially correct at year-end.

Criteria: Recording a significant number of material adjustments during the audit is a strong indicator of a control deficiency that an organization has ineffective controls over the preparation of the underlying general ledger which is used to prepare the financial statements, including the notes. It is critical for an organization to have appropriate processes in place to properly adjust the general ledger in a timely manner throughout the year and especially at year end, prior to audit fieldwork, as part of the year-end closing process, as well as to maintain the general ledger in accordance with generally accepted accounting principles throughout the year.

SAAVI SERVICES FOR THE BLIND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
Year ended December 31, 2022

Cause and effect: The unadjusted general ledger was not materially correct under accounting principles generally accepted in the United States of America.

Recommendation: I recommend that the Organization review and revise the system of internal controls over financial reporting to ensure that adequate processes are in place to properly adjust the general ledger throughout the year and especially at year end, prior to audit fieldwork, as part of the year-end closing process. This will result in a correctly stated pre-audit trial balance and appropriate internal financial statements prepared under generally accepted accounting principles for use by management, the Finance Committee and the Board of Directors throughout the year.

Management response: We concur with the recommendation. See corrective action plan.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SAVI SERVICES FOR THE BLIND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2022

Federal Grantor/Pass-through grantor Program Title	Assistance Listing number	Additional Award ID	Grant/FAIN number	Federal Expenditures
<u>U.S. Department of Transportation:</u>				
<i>Passed through Maricopa Association of Governments:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	N/A	\$ 80,000
<i>Passed through Arizona Department of Transportation:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	N/A	63,304
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	GRT-19-0007502-T	41,960
<i>Passed through the City of Phoenix:</i>				
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	N/A	AZ-2021-038-00	32,708
<u>U.S. Department of Treasury:</u>				
<i>Passed through the City of Tucson:</i>				
Coronavirus State and Local Fiscal Recovery funds	21.027	COVID-19	ARPAFY22-384438	20,833
Coronavirus State and Local Fiscal Recovery funds	21.027	COVID-19	ARPAFY22-381957	87,017
<i>Passed through Maricopa County:</i>				
Coronavirus State and Local Fiscal Recovery funds	21.027	COVID-19	C-73-22-060-X-00	174,045
<u>U.S. Small Business Administration:</u>				
<i>Direct:</i>				
Disaster Assistance Loan	59.008	COVID-19	N/A	<u>2,000,000</u>
TOTAL				<u>\$ 2,499,867</u>

NOTE 1: Basis of accounting

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2: Summary of significant accounting policies

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

(2) The Organization has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SAAVI SERVICES FOR THE BLIND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - continued
 Year ended December 31, 2022

NOTE 3: Federal loans

The loan program listed on the Schedule is administered directly by Saavi, and the balances and transactions relating to this loan program are included in the Schedule. Loans expended during the current year are included in the Schedule. The balance of the outstanding loan at December 31, 2022 was \$2,000,000 for Assistance Listing Number 59.008.

NOTE 4: Other information

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

NOTE 5: Federal expenditures by Assistance Listing number:

Assistance Listing number	Federal expenditures	Direct funds
20.513	\$ 217,972	\$ -
21.027	281,895	-
59.008	<u>2,000,000</u>	<u>2,000,000</u>
	<u>\$ 2,499,867</u>	<u>\$ 2,000,000</u>

SAAVI SERVICES FOR THE BLIND
SUMMARY OF PRIOR YEAR FINDINGS
Year ended December 31, 2022

FINDINGS/NON-COMPLIANCE

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



● Tucson

3350 E Grant Road

Tucson Az, 85716

520.795.1331

● Phoenix

2920 N 7th Street

Phoenix Az, 85014

602.795.0195

CORRECTIVE ACTION PLAN

December 31, 2022

This schedule presents the corrective action planned by Saavi Services for the Blind (Saavi) for audit findings reported in the schedule of findings and questioned costs for the year ended December 31, 2022, in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	Saavi Services for the Blind is in the process of reorganizing our Finance Department and as such, will dedicate a staff accountant responsible for the compilation and facilitation of the monthly General Ledger and Balance Sheet review, reconciliation, and approval by the CEO. This should rectify the need for general ledger adjustments at year end closing.	12/31/23	Michael Gordon, CEO