

**PAZ DE CRISTO COMMUNITY CENTER
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORTS
FOR THE YEAR ENDED JUNE 30, 2024**

**PAZ DE CRISTO COMMUNITY CENTER
TABLE OF CONTENTS
JUNE 30, 2024**

Independent Auditor's Report	2
 <u>FINANCIAL STATEMENTS</u>	
Statement of Financial Position	4
Statement of Activities	5
Statement of Cash Flows	6
Statement of Functional Expenses	7
Notes to Financial Statements	8

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Independent Auditor's Report

To the Board of Directors of
Paz De Cristo Community Center

Opinion

We have audited the accompanying financial statements of Paz De Cristo Community Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Paz De Cristo Community Center as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Paz De Cristo Community Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Paz De Cristo Community Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Lorenzo, PLC

Lorenzo, PLC
Gilbert, Arizona
January 24, 2025

**PAZ DE CRISTO COMMUNITY CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024**

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 242,068
Investments	1,013,673
Grants receivable	97,776
Prepaid expenses	5,862
Inventory	<u>119,440</u>
Total Current Assets	1,478,819
Non-current assets:	
Property and equipment, net of accumulated depreciation	<u>336,192</u>
Total Assets	<u>\$ 1,815,011</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	\$ 51,605
Accrued payroll and related expenses	<u>21,848</u>
Total Liabilities	<u>73,453</u>
Net Assets:	
Without donor restrictions	1,619,886
With donor restrictions:	<u>121,672</u>
Total Net Assets	<u>1,741,558</u>
Total Liabilities and Net Assets	<u>\$ 1,815,011</u>

See accompanying notes to financial statements

PAZ DE CRISTO COMMUNITY CENTER
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
Revenues, gains, and other support:			
Special event revenue	\$ 17,697	\$ -	\$ 17,697
Less cost of direct donor benefits	(4,800)		(4,800)
	12,897		12,897
In-kind contributions	1,467,728		1,467,728
Grants	296,840	113,900	410,740
Contributions	943,988	60,000	1,003,988
In-kind rent	64,644		64,644
Interest and earnings on investment	34,228		34,228
Miscellaneous	8,383		8,383
Net assets released from restriction	53,535	(53,535)	-
 Total Revenues, gains, and other support	 2,882,243	 120,365	 3,002,608
 Expenses:			
Program Services	\$ 2,455,536	\$ -	\$ 2,455,536
Management and General	300,802		300,802
Fundraising	81,190		81,190
	2,837,528	-	2,837,528
 Total Expenses	 2,837,528	 -	 2,837,528
 Increase in net assets	 44,715	 120,365	 165,080
 Net assets, beginning of year	 1,575,171	 1,307	 1,576,478
 Net assets, end of year	 \$ 1,619,886	 \$ 121,672	 \$ 1,741,558

See accompanying notes to financial statements

**PAZ DE CRISTO COMMUNITY CENTER
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024**

Cash flows from operating activities:	
Increase in net assets	\$ 165,080
Adjustments to reconcile changes in net assets to net	
Cash provided/(used) by operating activities:	
Depreciation and amortization	61,459
(Increase) in inventory	(32,438)
Decrease in gift cards	1,015
(Increase) in grant receivable	(62,186)
(Increase) in prepaid expenses	(5,862)
Increase in accounts payable	35,070
Increase in accrued payroll and related expenses	<u>1,236</u>
Net cash provided by operating activities	<u>163,374</u>
Cash flows from investing activities:	
Proceeds from sale of investments	75,000
Purchase of investments and reinvested earnings	(1,088,673)
Purchase of property and equipment	<u>(92,850)</u>
Net cash (used) by investing activities	<u>(1,106,523)</u>
Net (decrease) in cash, cash equivalents and restricted cash	(943,149)
Cash, cash equivalents and restricted cash, beginning of year	<u>1,185,217</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>\$ 242,068</u></u>

See accompanying notes to financial statements

**PAZ DE CRISTO COMMUNITY CENTER
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Payroll & related costs	\$ 546,528	\$ 150,167	\$ 49,847	\$ 746,542
In-kind services, food and supplies	1,435,291	-	-	1,435,291
In-kind rent	62,088	2,263	-	64,351
Repairs and maintenance	40,890	2,557	-	43,447
Utilities, phone, and internet	46,298	2,717	-	49,015
Insurance	9,960	2,719	-	12,679
Technology	9,565	20,132	-	29,697
Assistance to individuals	23,968	-	-	23,968
Supplies and equipment	92,339	2,645	-	94,984
Professional fees & services	29,269	64,434	30,750	124,453
Security	91,740	-	-	91,740
Marketing and development	-	42,153	593	42,746
Other expenses	4,458	-	-	4,458
Depreciation expense	59,496	1,963	-	61,459
Conferences and meetings	3,646	9,052	-	12,698
Total Expense	\$ 2,455,536	\$ 300,802	\$ 81,190	\$ 2,837,528

See accompanying notes to financial statements

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Paz De Cristo Community Center (Organization) was incorporated in Arizona in 2007 as a nonprofit corporation. The Organization’s mission is “More Than a Meal . . . We Feed, Clothe and empower our neighbors in need.” Paz De Cristo Community Center’s vision is to empower our guests to reach their full potential by removing barriers so they may become more self-sufficient. Paz de Cristo Community Center exists to help them achieve self-reliance, pride and self-respect. Our vision and mission guide our work each day helping people who struggle with hunger, food insecurity, poverty and homelessness.

Paz de Cristo's mission to Feed, Clothe and Empower those struggling with hunger, poverty and homelessness in the East Valley, where we are recognized in the community as a place where people can come for assistance when facing the challenges of hunger, food insecurity, poverty or homelessness. Paz de Cristo is the only organization in the East Valley that provides a free, hot, nutritious meal every night, made from scratch. On average, we serve 300 meals per night. We also provide healthy food boxes, clothing, showers, Arizona identification and birth certificate assistance for employment and benefits, job search assistance, SNAP (formerly food stamps) application assistance, and mail services. Paz de Cristo offers resources that help people overcome barriers to success and achieve self-sufficiency.

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation – The Organization presents these financial statements in accordance with the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. This codification establishes standards for general purpose external financial statements provided by a not-for-profit organization.

These financial statements have been prepared on the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the obligation is incurred. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as without donor restrictions or with donor restrictions. Net assets without donor restrictions are net assets that are not subject to or are no longer subject to donor-imposed restrictions. Net assets with donor restrictions are those net assets expected to be maintained in perpetuity and those expected to be spent over time or for a particular purpose.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value – Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization’s significant financial instruments are cash and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Cash and Cash Equivalents – For purposes of the statement of cash flows, all highly liquid investments with an initial maturity of three months or less when purchased are considered cash equivalents.

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Concentration of Credit Risk – Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, such cash may be in excess of FDIC insurance limits.

Inventory – Inventory is measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation.

Leases – The Organization has elected to not recognize lease assets and liabilities for short-term leases with a term of 12-months or less, for all underlying asset classes. The lease expense for such leases are recognized on a straight-line bases over the lease term.

Property and Equipment – Land, buildings, and improvements with a cost of \$5,000 or more and vehicles, furniture, and equipment with both a cost of \$5,000 or more and an estimated useful life of one year or more are capitalized. Assets are stated at cost. Assets donated are recorded at their estimated fair market value as of the date received. Amortization of buildings and improvements and depreciation of furniture and equipment are provided on a straight-line basis over the useful lives of the respective assets, ranging from 5 to 15 years.

Maintenance and repairs are charged to expense as incurred; and renovations and improvements are capitalized if they extend the useful life of an asset and have a cost exceeding \$5,000. When depreciable property is retired or disposed of, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in the changes in net assets.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2024.

Contributions – All contributions, including certain grants and unconditional promises to give, are recognized when received or promised and are considered to be available for use without donor restriction unless specifically restricted by the donor/grantee. Amounts received that are designated for future periods or restricted by the donor for a particular purpose are reported as support that increases net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without restrictions and reported in the Statement of Activities as net assets released from restrictions. However, if a restriction is fulfilled in the same fiscal year in which the contribution is received, the Organization reports that support as without donor restriction. Unconditional promises to give with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises (for example, a matching grant), are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Donated Services – The Organization receives donated services throughout the year from unpaid volunteers. In accordance with FASB ASC 958-605-25-16, if donated services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization, the donated services are recognized as contributions. While a significant portion of the Organization's functions and programs are conducted by unpaid volunteers, the value for this contributed time is not reflected in the accompanying financial statements since the services do not meet the criteria for recognition. During the year ended June 30, 2024, these volunteers donated approximately 21,012 hours with an estimated value of \$703,691. This value was computed using an estimated hourly rate of \$33.49, including fringe benefits, based upon the average hourly earnings of nonagricultural workers for the calendar years ended December 31, 2023, as determined by Independent Sector, a non-profit membership organization, who partners with independent consultants to prepare the compensation study.

In-Kind Contributions – From time-to-time, the Organization receives contributions in a form other than cash. Contributions include donated supplies which are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of the gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy. Donated use of facilities is reported as contributions and as expense at the estimated fair value of similar commercial space for rent under similar conditions. If the use of a space is promised unconditionally for a period greater than one year, the contribution is reported as a contribution and an unconditional promise to give at the date of gift, and the expense is reported over the term of use. In-kind contributions received during the year totaled \$1,532,372, including \$64,644 related to in-kind rent for facilities, and \$1,343,001 in food and meals.

Functional Expense Allocation – The financial statements report certain expenses that are attributable to one or more program or supporting functions of the Organization. These expenses are allocated based on square footage or estimates of personnel time and effort, as applicable.

Income Tax Status – The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from state income taxes under A.R.S. §43-1201, and is not classified as a private foundation. Accordingly, there are no income taxes reflected on the Statement of Financial Position or the Statement of Activities.

Uncertain Tax Positions – The Organization accounts for uncertain tax positions, if any, in accordance with FASB Accounting Standards Codification Section 740. In accordance with these professional standards the Organization recognizes tax positions only to the extent that management believes it is “more likely than not” that its tax positions will be sustained upon IRS examination. Management believes that it has no uncertain tax positions for the year ended June 30, 2024.

Subsequent Events - Management has evaluated subsequent events through January 24, 2025, and that date corresponds with the date the financial statements were available to be issued.

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash in Bank – The Organization maintains all of its cash with three financial institutions. The carrying amount of deposits was \$242,068 and the bank balance was \$180,163 at June 30, 2024. As of June 30, 2024, the entire balance of \$180,163 was covered by federal depository insurance.

NOTE 3 – INVESTMENTS

Fair Value of Financial Instruments – The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair values as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy that prioritizes 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 measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 3 – INVESTMENTS (CONT'D)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following is a summary of the inputs used, as of June 30, 2024, in valuing the Organization's assets carried at fair value:

June 30, 2024	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Mutual Funds				
Money Market Funds	\$ 512,676	-	-	\$ 512,676
Fixed Income				
Certificates of Deposit	499,640			499,640
Money Market Funds				
Cash available to trade	1,357			1,357
Total Investments	\$ 1,013,673			\$ 1,013,673

Of the \$1,013,673 investment balances above, the entire \$499,640 of certificates of deposit and \$500,000 of money market funds is covered by federal depository insurance and the Securities Investor Protection Corporation, respectively. The remaining \$14,033 is uninsured and uncollateralized.

The activity in investments is summarized below:

	Beginning Balance	Purchases	Sales	Realized/ Unrealized gain/(loss), net	Ending Balance
Investment Activity	\$ -	1,056,552	(75,000)	32,121	\$ 1,013,673

The Organization purchases investments with cash from its bank account and with proceeds from sales of investments.

NOTE 4 – PROPERTY AND EQUIPMENT

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

Leasehold improvements	\$ 389,228
Furniture and equipment	45,860
Vehicles	191,093
Property and equipment, total	626,181
Accumulated depreciation and amortization	(289,989)
 Property and equipment, net	 \$ 336,192

Depreciation expense related to property and equipment was \$61,459 for the year ended June 30, 2024.

PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 5 – COMMITMENTS AND CONTINGENT LIABILITIES

Litigation – The Organization is contingently liable for claims and judgments resulting from lawsuits incidental to the normal operation of a Organization. In the opinion of the Organization’s management, the Organization’s insurance coverage is adequate to cover claims relating to normal operations and decisions that might adversely impact the Organization would not have a material effect on the financial statements. Accordingly, no provision for possible losses is reflected in the financial statements.

NOTE 6 – INVENTORY

Inventory consisted of the following at June 30, 2024:

Food for meals to be served	\$ 70,891
Clothing	48,549
Total inventory	<u>\$ 119,440</u>

NOTE 7 – NET ASSETS

Net assets with donor restrictions were comprised of the following at June 30, 2024:

Restricted for FY 2024-25 expenses	\$ 60,000
Restricted for security upgrades	1,672
Restricted for a walk-in cooler and electrical upgrades	60,000
Total net assets without donor restriction	<u>\$ 121,672</u>

NOTE 8 – RETIREMENT PLAN

Plan Description – Paz De Cristo Community Center’s 401(k) plan is open to employees that have 12 months of service, are 21 years old, and work at least 1,000 hours annually (20 hours per week). The Organization provides an employer matching contribution at its discretion. The Organization determines the amount of the matching contribution, if any, that will be made each Plan Year. At this time, the matching contribution equals 100% of the first 5% of pay that employees elect to contribute. Employer contributions vest with the employee at 100% upon 3 years of service. Prior to the completion of 3 years of service, none (0 %) of the employer contributions are vested with the employee.

Benefits provided – The Plan provides for distribution only upon retirement, termination of employment, disability, or death of a participant according to Treasury Regulation §1.401-1(b)(1)(i).

The Organization’s contributions to the plan for the year ended June 30, 2024, was \$4,875, which was equal to the required contributions for the year.

**PAZ DE CRISTO COMMUNITY CENTER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024**

NOTE 9 – CONCENTRATIONS

The Organization receives a substantial amount of its support from the City of Mesa, St. Timothy’s Catholic Church (St. Tim’s) and from Salt River Pima-Maricopa Indian Community (SRPMIC). The total support received from the City of Mesa, St. Tim’s and SRPMIC for the fiscal year ended June 30, 2024, was \$109,008, \$64,644 and \$117,784, respectively. The \$64,644 received from St. Tim’s was in the form of in-kind rent for facilities located in Mesa, Arizona, that St. Tim’s allows Paz De Cristo Community Center to use.

Additionally, the Organization received contributions of food and meals, recorded as in-kind contributions, from the United Food Bank, which totaled approximately \$1,286,601 for the fiscal year ended June 30, 2024.

If the City, St. Tim’s, SRPMIC, or the agencies providing food significantly reduced the level of support provided to the Organization it could have a material effect on the Organization's operations. Management is aware of the concentration and its potential impact. If any reduction did occur, management would take action as appropriate to limit the effect on its programs.

NOTE 10 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization’s financial assets as of June 30, 2024, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, or are assets held for other uses.

Financial assets:

Cash and cash equivalents	\$ 242,068
	242,068

Financial assets at year end:	242,068
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Less those unavailable for general expenditures within one year due to:

None	\$ -
	-

Financial assets available to meet cash needs for general expenditures within one year:	\$ 242,068
	242,068

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization has a goal to maintain financial assets on hand to meet at least 6 months of normal operating expenses.

NOTE 11 - SUBSEQUENT EVENTS

On November 7, 2024, the Organization entered into an agreement for construction services to upgrade electrical panels and related electrical components. The total cost for the services is \$73,337. As of the date of this report, \$47,226 has been paid and \$26,111 of the project remains to be completed and paid.