HENRY & HORNE, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Child Crisis Arizona

PREVENT. ADVOCATE. SUPPORT.

Mesa, Arizona

FINANCIAL STATEMENTS

Nine Months Ended December 31, 2015

INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Arizona
Phoenix, Arizona

We have audited the accompanying financial statements of Child Crisis Arizona (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statement of activities, functional expenses, and cash flows for the nine months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona as of December 31, 2015, and the changes in its net assets and its cash flows for the nine months then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
April 14, 2016

CHILD CRISIS ARIZONA
STATEMENT OF FINANCIAL POSITION
December 31, 2015

ASSETS		
Cash and cash equivalents		$ 2,051,712
Accounts receivable		1,046,399
Promises to give, current portion, net of allowance of $52,830		256,867
Grants receivable		303,441
Supplies inventory		635,628
Prepaid expenses and other assets		213,200
	TOTAL CURRENT ASSETS	4,507,247
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises of $104,870		390,596
BENEFICIAL INTEREST IN TRUSTS		80,346
INVESTMENTS HELD BY THE CRISIS NURSERY FOUNDATION		172,981
PROPERTY AND EQUIPMENT, net		6,118,605
	TOTAL ASSETS	$ 11,269,775
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable		$ 291,027
Accrued expenses and other liabilities		713,067
Deferred revenue		43,205
	TOTAL CURRENT LIABILITIES	1,047,299
LONG-TERM DEBT		79,000
	TOTAL LIABILITIES	1,126,299
NET ASSETS		
Unrestricted		8,874,789
Temporarily restricted		1,268,687
	TOTAL NET ASSETS	10,143,476
	TOTAL LIABILITIES AND NET ASSETS	$ 11,269,775

See accompanying notes.

Child Crisis Arizona

PREVENT. ADVOCATE. SUPPORT.

CHILD CRISIS ARIZONA
STATEMENT OF ACTIVITIES
Nine Months Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions	$ 2,898,223	$ -	$ 2,898,223
Special events contributions	558,365	-	558,365
In-kind childcare supplies	486,490	-	486,490
In-kind services and use of facilities	250,106	-	250,106
Contract revenue	6,364,834	-	6,364,834
Grants revenue	1,125,964	563,441	1,689,405
Other income	50,480	-	50,480
Change in value of beneficial interest in trust	(13,025)	295	(12,730)
Investment return	(6,393)	-	(6,393)
Net assets released from restrictions	1,046,759	(1,046,759)	-
	12,761,803	(483,023)	12,278,780
Special events income	156,718	-	156,718
Direct benefit to donors	(35,881)	-	(35,881)
	120,837	-	120,837
TOTAL REVENUES, SUPPORT AND OTHER INCOME	12,882,640	(483,023)	12,399,617
EXPENSES AND LOSSES			
Program services	9,282,539	-	9,282,539
Supporting services			
Management and general	1,240,850	-	1,240,850
Fundraising	930,796	-	930,796
Total supporting services	2,171,646	-	2,171,646
TOTAL EXPENSES BEFORE LOSSES ON PROMISES TO GIVE	11,454,185	-	11,454,185
Losses on promises to give	108,816	-	108,816
TOTAL EXPENSES AND LOSSES	11,563,001	-	11,563,001
CHANGE IN NET ASSETS	1,319,639	(483,023)	836,616
NET ASSETS, AS OF DATE OF MERGER	7,555,150	1,751,710	9,306,860
NET ASSETS, END OF PERIOD	$ 8,874,789	$ 1,268,687	$ 10,143,476

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Nine Months Ended December 31, 2015

	Program Services				
	Emergency Children's Shelter	Early Education Services	Foster Care and Adoption	Family Resources	Home Visitation
Salaries and wages	$ 2,437,595	$ 1,186,991	$ 856,421	$ 513,215	$ 629,284
Payroll taxes and employee benefits	461,633	234,595	147,605	98,435	99,327
Training, conferences and travel	14,409	24,660	3,495	4,392	17,761
Program supplies	48,843	43,525	47,642	46,689	36,321
Office and janitorial supplies	27,976	17,363	6,316	7,752	13,848
Printing and postage	21	3	942	424	100
Equipment and software	65,848	40,236	28,067	23,510	13,663
IT consulting	70,357	34,341	17,429	12,793	10,139
Marketing and design	-	463	860	150	28,440
In-kind childcare supplies	130,434	40,572	59,763	7,363	14,687
Insurance	42,280	17,464	10,602	13,242	5,280
Other	1,419	5,539	67,868	3,299	5,114
Repairs and maintenance	52,957	32,339	8,588	12,295	3,978
Food and medications	183,615	62,744	2,216	1,063	1,506
Telephone and utilities	93,543	43,267	34,011	37,543	33,258
Transportation	18,199	2,360	40,573	4,968	28,373
Banking fees	39	54	265	289	40
Professional services	51,118	9,361	3,778	3,317	43,618
Special event expenses - food and venue	-	-	-	-	-
Grant writing fees	-	-	-	-	-
Building rent	151,521	-	1,127	19,031	24,397
Bad debt expense	-	-	-	-	-
Depreciation	127,388	98,707	45,710	54,112	-
Total operating expenses	3,979,195	1,894,584	1,383,278	863,882	1,009,134
Direct benefit to donors: Food and entertainment expenses	-	-	-	-	-
TOTAL EXPENSES	$ 3,979,195	$ 1,894,584	$ 1,383,278	$ 863,882	$ 1,009,134

Healthy Families and Family Support	Total Program Services	Management and General	Fundraising Activities	Total
$ 107,422	$ 5,730,928	$ 780,004	$ 382,048	$ 6,892,980
29,164	1,070,759	110,758	61,856	1,243,373
839	65,556	4,246	29,364	99,166
2,750	225,770	17	-	225,787
-	73,255	20,261	8,489	102,005
1	1,491	2,225	2,443	6,159
417	171,741	46,142	15,830	233,713
325	145,384	25,265	8,881	179,530
-	29,913	-	135,321	165,234
855	253,674	-	1,076	254,750
258	89,126	9,684	5,023	103,833
-	83,239	16,542	7,208	106,989
132	110,289	10,387	4,070	124,746
-	251,144	6,205	2,152	259,501
994	242,616	25,166	14,750	282,532
7,814	102,287	7,586	4,224	114,097
-	687	8,441	22,384	31,512
1,495	112,687	130,370	6,008	249,065
-	-	-	99,668	99,668
-	-	-	37,013	37,013
-	196,076	-	-	196,076
-	-	-	62,848	62,848
-	325,917	37,551	20,140	383,608
152,466	9,282,539	1,240,850	930,796	11,454,185
-	-	-	-	35,881
$ 152,466	$ 9,282,539	$ 1,240,850	$ 930,796	$ 11,490,066

CHILD CRISIS ARIZONA
STATEMENT OF CASH FLOWS
Nine Months Ended December 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 836,616
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	383,608
Non-cash donation of software	(572,040)
Change in donated supplies inventory	(204,536)
Provision for uncollectible promises to give	63,535
Change in discount on long-term promises to give	(315)
Change in value of beneficial interest in lead trust	12,730
Unrealized loss on investments held by the Foundation	6,161
Decrease (increase) in:	
Accounts receivable	(87,017)
Promises to give	34,027
Grants receivable	601,674
Prepaid expenses and other assets	(140,562)
Increase (decrease) in:	
Accounts payable	67,283
Accrued expenses and other liabilities	(181,675)
Deferred revenue	(55,337)
NET CASH PROVIDED BY OPERATING ACTIVITIES	764,152
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(335,021)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from long-term debt	79,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	508,131
CASH AND CASH EQUIVALENTS, AS OF DATE OF MERGER	1,543,581
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,051,712

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

On April 1, 2015, Crisis Nursery, Inc. (CNI) and Child Crisis Center (CCC) merged their operations for the purpose of growing and improving programs by integrating the services each entity offers. Both CNI and CCC operated children's shelters and provided foster care and family support services. As a result of the merger, the combined organization has been renamed Child Crisis Arizona (CCA).

The primary mission of CCA is serving Arizona's children, providing a safe environment, free from abuse and neglect by creating strong and successful families. These services are provided in seven primary locations, utilizing both paid employees and volunteer staff.

CCA is related to The Crisis Nursery Foundation (CNF), a supporting organization to CCA, by three common board members as of December 31, 2015. CCA is also related to Child Crisis Center Foundation (CCCF). CCA does not exercise control over CNF or CCCF, and the accounts of CNF and CCCF are not included in the accompanying financial statements of CCA. CNF and CCCF benefit CCA and may benefit other charitable organizations.

CCA provides several programs to further its mission, including but not limited to the following:

Emergency Children's Shelter – Child Crisis Arizona shelters are located in Phoenix and Mesa, and are the only emergency shelters in Maricopa County for children birth to 11 offering services for up to 69 children. Children are admitted due to neglect, abandonment, abuse or parental incarceration. Children are placed by the Department of Child Safety, tribal governments, or by families in need. Specially trained staff and volunteers provide care and support. The shelters are able to address medical needs, counseling and therapy.

Early Education Services – Child Crisis Arizona operates a year-round Early Head Start and Preschool located in Phoenix for two of the poorest zip codes in Arizona, serving 93 toddlers ages 1 to 5 in a classroom setting. Low teacher child ratios and small group sizes ensure that services are individualized and that children have opportunities to form healthy attachments with their teachers. Children receive myriad opportunities to develop the physical, social and emotional skills they will need to succeed in school. The program has Family Support Specialists who work with families through prenatal, home-based and center-based visits that help build strong home and classroom connections.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Organization (Continued)

Foster Care and Adoption – Under contracts with the Department of Child Safety and the Gila River Indian Community, Child Crisis Arizona recruits, trains, supervises and supports family foster and adoptive homes that care for children ages birth to 17 who have been removed from their birth families due to abuse or neglect. Following a foster or adoptive placement, staff continue to work with and support the family ensuring for ongoing successful placements.

Family Resources – Child Crisis Arizona offers a no-cost resource for families and community members through a variety of different parenting classes, workshops, children's playgroups, support groups and family events. Services strive to build safe, stable and strong families through a Family Resource Model.

Child Crisis Arizona also offers a program for kinship, foster and adoptive families to help caregivers in providing the best care possible through counseling support groups, education and clinical support. Additionally, Child Crisis Arizona receives referrals from the local Regional Behavioral Health Authority to serve children who have experienced significant trauma.

Home Visitation – A no-cost, home visitation program to partner with parents to give them tools to help nurture the child's learning and development. The program is available for expectant families in Gilbert, Mesa and Queen Creek, with children birth to age five. The program connects families with resources such as insurance assistance, financial, housing, food and recreation. They also provide developmental, vision and hearing screenings and additional support to parents to help ensure children are prepared for school before they enter kindergarten.

Healthy Families and Family Support Coordination – These programs were discontinued as of June 30, 2015. Healthy Families was a home visitation program. Family Support Coordination was a collaboration to connect families in Central Phoenix facing complex and multiple needs to available services in the community.

Basis of Presentation

The financial statements of CCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, CCA considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies for contract revenue and are unsecured. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. CCA evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Accounts receivable at December 31, 2015 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Promises to Give and Grants Receivable

Unconditional promises to give and grants receivable are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, CCA records a specific reserve to reduce the amounts recorded to what it believes will be collected. Additionally, CCA reserves a portion of all promises based upon historical uncollectible rates. Promises are charged off against the allowance when they are deemed to be uncollectible. The grants receivable at December 31, 2015 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Contributed Supplies Inventory

CCA receives a significant amount of contributed supplies inventory to be used for program service needs. These items include clothing, toys and hygiene supplies. These contributed items are initially recorded in the period received at the fair value of the item received and are carried at the lower of cost or market. Cost is determined by the specific identification method.

Donated Services and Use of Facilities

Donated services are recorded at their estimated fair value if they require specialized skills that CCA would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines. Donated use of facilities is recorded at the estimated fair value.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides 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 unobservable inputs (Level 3 measurements).

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

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

Level 2 Inputs to the valuation methodology include:

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

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

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

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

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Beneficial Interest in Trusts

CCA has an interest in an irrevocable charitable lead trust. The assets are invested and administered by an unrelated trustee. Initial recognition of the lead trust is recorded as a temporarily restricted contribution and as a beneficial interest measured at fair value. The beneficial interest in lead trust is valued using a discounted cash flow analysis including the anticipated annual cash payment. Distributions from the trust reduce the beneficial interest and are reclassified from temporarily restricted net assets to unrestricted net assets. Changes in carrying value of the trust are recorded as an increase or decrease to the beneficial interest and an adjustment to temporarily restricted net assets.

CCA also has an interest in two irrevocable charitable remainder unitrusts. Assets received under charitable remainder unitrust agreements are recorded at fair value on the date the agreement is recognized, which CCA estimates based on the present value of the expected future cash flows of the asset. Upon the death of the beneficiaries, a portion of the remaining principal is to be distributed to the organization.

Investments Held by The Crisis Nursery Foundation

In a prior year $125,000 was transferred from CNI to CNF for the purpose of including the amount in CNF's investment pool. CNI specified that CNF is to distribute the funds to CNI (now CCA) as it requests the funds. CNF has no variance power over the funds. CNF has recognized the $125,000, plus a proportional amount of investment return, as investments held on behalf of CCA. During the nine months ended December 31, 2015, CCA shared proportionately in the investment return on the entire investment portfolio held by CNF.

This investment held by CNF is valued at fair market value based on the underlying assets included in CNF's investment pool. Investment income (including interest and dividends) and realized and unrealized gains and losses are reported in the statements of activities and changes in net assets under support and revenue.

Property and Equipment

Acquisitions of property and equipment in excess of $5,000 are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation of buildings and equipment is calculated using the straight-line method over the estimated useful lives of the respective assets.

Major additions and improvements are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and gains and losses are included in operations.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of Long-Lived Assets

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

Revenue Recognition

CCA recognizes revenue from contracts, primarily with federal and state agencies, when services are rendered. A receivable is recorded to the extent the revenue earned exceeds payments received.

Contributions

Contributions, grants and bequests, including promises to give, are received and recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily or permanently restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, CCA reports the support as unrestricted.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The costs are allocated based on square footage, number of employees or actual units utilized and time studies.

Income Tax Status

CCA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Expense (Continued)

CCA follows accounting standards for uncertainty in income taxes, which require that tax positions initially need to be recognized in the financial statements when it is more likely-than-not that the positions will not be sustained upon examination by the tax authorities. As of December 31, 2015, CCA had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Federal income tax returns generally remain open for three years after they are filed and state income tax returns generally remain open for four years after they are filed, and both are subject to examination by taxing authorities.

CCA recognizes interest and penalties associated with income tax in operating expenses. During the nine months ended December 31, 2015, CCA did not have any income tax related interest and penalty expense.

Management's Use of Estimates

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

Date of Management's Review

In preparing these financial statements, CCA has evaluated events and transactions for potential recognition or disclosure through April 14, 2016, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES

Financial instruments that subject CCA to potential concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and grants receivable. CCA maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. As of December 31, 2015, CCA's bank balances exceeded federally insured limits by approximately $1,339,000. CCA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

Grants receivable include $200,000 from a foundation and $98,132 from two United Way grants, which together represent 98% of total grants receivable at December 31, 2015. Concentrations of credit risk with respect to grants receivable are limited due to the nature of the receivables and the collection history of these types of accounts. CCA requires no collateral on its accounts receivable, grants receivable and promises to give.

CCA has a concentration of income sources, mainly from three agencies. The mix of gross accounts receivable and revenue from various contract sources at December 31, 2015, and for the nine months ended December 31, 2015, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 532,640	51%	$ 3,043,990	48%
First Things First	229,945	22%	1,251,145	20%
U.S. Department of Justice	118,499	11%	240,191	4%
Other	165,315	16%	1,829,508	29%
	$ 1,046,399	100%	$ 6,364,834	100%

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following at December 31, 2015:

Receivable in less than one year	$ 309,697
Receivable in two to five years	493,140
Receivable in years thereafter	26,617
Total promises to give	829,454
Discount to present value	(24,291)
Allowance for uncollectible promises	(157,700)
Net promises to give	647,463
Current portion	(256,867)
Non-current portion	$ 390,596

The estimated cash flows for promises to give were discounted over the collection period using a discount range of 0.76% to 4.43% as determined by management.

NOTE 4 BENEFICIAL INTEREST IN TRUSTS

CCA is one of several charities that receive cash from a donor at the end of each calendar quarter under a charitable lead trust agreement. CCA's distribution is 11.11% of an annual annuity of $45,000 ($1,250 quarterly). The term of the annuity was scheduled to end December 31, 2019, at which time the remaining assets revert to the donor or the donor's beneficiary. However, CCA has received notification that the trust will be terminated in 2016. The present value of future cash flows (using a 3.9% discount rate) for CCA's final payout of $1,196 at December 31, 2015 has been included in Beneficial Interest in Trusts on the statement of financial position.

CCA is also a beneficiary of the remainder interest of two charitable remainder unitrust funds, which are held by third party trustees. The trustees make distributions to the income beneficiaries based upon the terms of the trust agreement with the donors. Under the agreements, CCA is to receive the remainder of the trust assets upon the death of the donors. CCA has recorded its beneficial interest in these trust funds at the net present value of the estimated future amounts to be received using a discount rate of 5.25%. The present value of the beneficial interest in charitable remainder trusts of $79,150 at December 31, 2015 has been included in Beneficial Interest in Trusts on the statement of financial position.

NOTE 5 FAIR VALUE MEASUREMENTS

The following is a summary of the fair value of financial instruments at December 31, 2015:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis:				
Investments held by The Crisis Nursery Foundation	$ -	$ 172,981	$ -	$ 172,981
Beneficial interest in trusts	-	-	80,346	80,346
Total fair value of financial instruments	$ -	$ 172,981	$ 80,346	$ 253,327

Investments held by CNF are valued based on observable inputs, which include the fair value of the underlying assets held and CCA's percentage interest in those investments. Beneficial interest in trusts are valued based on expected future cash flows discounted to present value.

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the nine months ended December 31, 2015:

	Beneficial Interest in Trusts
Balance, March 31, 2015	$ 93,076
Change in value	(12,730)
Balance, December 31, 2015	$ 80,346

NOTE 6 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2015:

Land	$ 394,452
Building and improvements	8,935,568
Furniture, equipment and vehicles	1,681,297
Computers and software	1,107,507
	12,118,824
Accumulated depreciation and amortization	(6,000,219)
	$ 6,118,605

Depreciation expense was $383,608 for the nine months ended December 31, 2015.

NOTE 7 LONG TERM DEBT

Long term debt at December 31, 2015 consists of a Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2021. In accordance with the terms of the CDBG loan, CCA must use the funds for the purpose of making building improvements to provide services to low and moderate income persons. The property with these improvements must be devoted primarily to this purpose for a period of ten years, beginning in 2016. If the property use is changed or the property is sold or vacated in less than the ten years, CCA will immediately become liable for the balance of the loan. The loan is secured by the building upon which the building improvements have been performed.

NOTE 8 RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted by the donor for the following time and/or purpose restrictions:

Time restricted:	
Promises to give	$ 624,900
Beneficial interest in trusts	80,346
Time and purpose restricted (grants receivable):	
Merger integration costs	200,000
Program expenses	363,441
Total temporarily restricted net assets	$ 1,268,687

NOTE 9 DONATED SERVICES AND USE OF FACILITIES

Donated services for the year ended December 31, 2015 are as follows:

	Program Services	Management and General	Fundraising	Total
Information technology services	$ 77,787	$ 7,358	$ 4,555	$ 89,700
Use of facilities	160,406	-	-	160,406
	$ 238,193	$ 7,358	$ 4,555	$ 250,106

NOTE 10 OPERATING LEASES

The Organization has lease agreements for buildings and copier equipment, expiring in May 2020. Minimum future rental payments under these non-cancelable operating leases are as follows:

Years Ending December 31,		
2016	$	131,563
2017		70,643
2018		69,228
2019		61,432
2020		17,483
	$	350,349

Lease expense was $298,900 for the nine months ended December 31, 2015. This amount includes donated use of facilities valued at $160,406.

NOTE 11 RETIREMENT PLANS

CCA maintains a 401(k) plan (Plan) for the benefit of its employees. Under the terms of the Plan, CCA may make annual contributions in amounts determined by its Board of Directors. CCA did not make any employer contributions during the nine months ended December 31, 2015.

CCA also has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457 of the Internal Revenue Code. CCA holds cash for the sole purpose of funding deferred compensation liabilities. According to the terms of the deferred compensation agreement, all earnings or losses on the deferred compensation amounts to be invested will be allocated directly to the participant in the plan and are recorded to the deferred compensation liability. These deferred compensation plan assets in the amount of $6,000 as of December 31, 2015 are included in cash on the accompanying statement of financial position.

The plan is funded 100% by the participant and CCA does not make any contributions to the plan. During the nine months ended December 31, 2015, CCA had non-cash investing transactions for the employee contributions to the deferred compensation plan assets in the amount of $6,000. This non-cash amount also increased the associated deferred compensation liability.

NOTE 12 CONTINGENCIES

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

NOTE 13 MERGER OF CRISIS NURSERY, INC. AND CHILD CRISIS CENTER

As described in Note 1, CNI and CCC completed a merger on April 1, 2015. There were no material transactions between CNI and CCC prior to the merger. Prior to the merger, CCC had not recorded supplies inventory on the statement of financial position. At the merger date CCA recorded the CCC supplies inventory balance on the statement of financial position, which increased the opening balance of CCA's supplies inventory and unrestricted net assets by $185,480. In addition, CCA also adjusted the opening balance of CCC's temporarily restricted net assets by $525,084 to include time restrictions on promises to give.

NOTE 13 MERGER OF CRISIS NURSERY, INC. AND CHILD CRISIS CENTER (Continued)

As of April 1, 2015, the major classes of assets, liabilities, and net assets of CNI and CCC were as follows:

	CNI	CCC	Adjustments	Total (CCA)
Assets:				
Cash and cash equivalents	$ 1,175,423	$ 368,158	$ -	$ 1,543,581
Accounts receivable	240,759	718,623	-	959,382
Promises to give, net	261,801	482,909	-	744,710
Grants receivable	847,040	58,075	-	905,115
Supplies inventory	245,612	-	185,480	431,092
Prepaid expenses and other assets	43,664	28,974	-	72,638
Beneficial interest in trusts	93,076	-	-	93,076
Investments	179,142	-	-	179,142
Property and equipment, net	2,154,866	3,440,286	-	5,595,152
	$ 5,241,383	$ 5,097,025	$ 185,480	$ 10,523,888
Liabilities:				
Accounts payable	$ 112,497	$ 105,247	$ -	$ 217,744
Accrued expenses	335,996	564,746	-	900,742
Deferred revenue	27,230	71,312	-	98,542
	475,723	741,305	-	1,217,028
Net assets:				
Unrestricted	3,502,944	4,297,645	(339,604)	7,460,985
Temporarily restricted	1,262,716	58,075	525,084	1,845,875
	4,765,660	4,355,720	185,480	9,306,860
Total liabilities and net assets	$ 5,241,383	$ 5,097,025	$ 185,480	$ 10,523,888