

CHILD CRISIS ARIZONA FOUNDATION

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2016 and 2015







HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Child Crisis Arizona Foundation

We have audited the accompanying financial statements of Child Crisis Arizona Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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.

**Tempe**  
2055 E. Warner Road  
Suite 101  
Tempe, AZ 85284-3487  
(480) 839-4900  
Fax (480) 839-1749

**Scottsdale**  
7098 E. Cochise Road  
Suite 100  
Scottsdale, AZ 85253-4517  
(480) 483-1170  
Fax (480) 483-7126

**Casa Grande**  
1115 E. Cottonwood Lane  
Suite 100  
Casa Grande, AZ 85122-2950  
(520) 836-8201  
Fax (520) 426-9432

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona Foundation as of June 30, 2016 and 2015, 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.

Henry + Home, LLP

Tempe, Arizona  
October 31, 2016

CHILD CRISIS ARIZONA FOUNDATION  
 STATEMENTS OF FINANCIAL POSITION  
 June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Investments	\$ 7,298,434	\$ 7,018,775
Investments - restricted	<u>-</u>	<u>198,536</u>
<b>TOTAL ASSETS</b>	<u>\$ 7,298,434</u>	<u>\$ 7,217,311</u>
 <b>LIABILITIES</b>		
Investments held for Child Crisis Arizona	\$ 180,426	\$ 178,219
Due to Child Crisis Arizona	13,295	-
Trust liability	<u>-</u>	<u>13,722</u>
<b>TOTAL LIABILITIES</b>	<u>193,721</u>	<u>191,941</u>
 <b>NET ASSETS</b>		
Unrestricted	7,104,713	6,840,556
Temporarily restricted	<u>-</u>	<u>184,814</u>
<b>TOTAL NET ASSETS</b>	<u>7,104,713</u>	<u>7,025,370</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,298,434</u>	<u>\$ 7,217,311</u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION  
 STATEMENTS OF ACTIVITIES  
 Years Ended June 30, 2016 and 2015

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Interest, dividends and other	\$ 177,247	\$ 7,365	\$ 184,612
Realized gain (loss) on sale of investments	(13,762)	-	(13,762)
Unrealized loss on investments	(77,483)	(5,829)	(83,312)
Change in split interest agreement	-	6,621	6,621
Net assets released from restrictions	192,971	(192,971)	-
<b>TOTAL REVENUES</b>	<b>278,973</b>	<b>(184,814)</b>	<b>94,159</b>
<b>EXPENSES</b>			
Donations to Child Crisis Arizona	-	-	-
Professional fees	9,520	-	9,520
Insurance expense	5,296	-	5,296
<b>TOTAL EXPENSES</b>	<b>14,816</b>	<b>-</b>	<b>14,816</b>
<b>CHANGE IN NET ASSETS</b>	<b>264,157</b>	<b>(184,814)</b>	<b>79,343</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>6,840,556</b>	<b>184,814</b>	<b>7,025,370</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 7,104,713</b>	<b>\$ -</b>	<b>\$ 7,104,713</b>

2015

Unrestricted	Temporarily Restricted	Total
\$ 184,796	\$ 7,367	\$ 192,163
337,648	-	337,648
(350,642)	(8,008)	(358,650)
-	4,656	4,656
-	-	-
171,802	4,015	175,817
500,000	-	500,000
9,520	-	9,520
-	-	-
509,520	-	509,520
(337,718)	4,015	(333,703)
7,178,274	180,799	7,359,073
\$ 6,840,556	\$ 184,814	\$ 7,025,370

CHILD CRISIS ARIZONA FOUNDATION  
STATEMENTS OF CASH FLOWS  
Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 79,343	\$ (333,703)
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Net realized and unrealized investment loss	97,074	21,002
Change in value of trust liability	(6,621)	(4,656)
Increase in due to Child Crisis Arizona	<u>15,502</u>	<u>4,047</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>185,298</u>	<u>(313,310)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(801,275)	(187,667)
Proceeds from sale of investments	623,078	505,354
Payments under split interest agreement	<u>(7,101)</u>	<u>(4,377)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(185,298)</u>	<u>313,310</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	-	-
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>-</u>	<u>-</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

Organization

Child Crisis Arizona Foundation (the Foundation) is an Arizona not-for-profit corporation formed in 1993. The principal purpose of the Foundation is to steward and manage investments in order to support the programs of Child Crisis Arizona (CCA). The Board of Directors of the Foundation and CCA had three common board members as of both June 30, 2016 and 2015.

Basis of Presentation

The financial statements of the Foundation 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, the Foundation considers money market funds and interest-bearing deposits with banks with a maturity of three months or less at date of acquisition to be cash equivalents.

Restricted Investments

The Foundation held \$198,536 in restricted money market funds and securities at June 30, 2015. This amount was restricted for disbursements related to the Yurkovich Charitable Remainder Unitrust. During the year ended June 30, 2016, the Yurkovich Charitable Remainder Unitrust was terminated upon the expiration of its 20 year term, and accordingly these amounts were released from their restrictions.

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 the Foundation has the ability to access. |
|---------|---|

CHILD CRISIS ARIZONA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

Fair Value Measurements (Continued)

- 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 the Foundation'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.

Investments

Investments are recorded at fair value as determined by quoted market prices in active markets or by net asset value as determined by third parties. Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) is included in the changes in unrestricted net assets unless the associated income or loss is temporarily restricted. Investment fees are netted with unrealized gains and losses.

Investments held for Child Crisis Arizona

Certain contributions may be transferred from CCA to the Foundation to be invested according to CCA's windfall gift acceptance policy. These investments are held by the Foundation on behalf of CCA and any related income earned on these invested amounts is allocated to CCA.

CHILD CRISIS ARIZONA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

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

Risks and Uncertainty

The Foundation invests in various types of investment securities. Investment securities 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 changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the statement of financial position.

Split Interest Agreement

Assets held under the charitable remainder unitrust agreement are recorded at fair value. The trust liability is recorded in an amount equal to the present value of the expected future cash outflows to the beneficiary based on the term of the agreement. The difference between the fair value of the assets and obligation is recorded as temporarily restricted net assets due to the time restriction.

Income Taxes

The Foundation 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.

The Foundation 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 June 30, 2016 and 2015, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation recognizes interest and penalties associated with income taxes in operating expenses. During the years ended June 30, 2016 and 2015, the Foundation did not have any income tax related interest and penalty expense.

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 amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements include the fair value of investments.

CHILD CRISIS ARIZONA FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2016 and 2015

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

Date of Management's Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through October 31, 2016, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the statement of financial position as determined by quoted market prices in active markets (Level 1) or measured based on prices for identical assets in non-active markets (Level 2).

The following is a summary of the fair value of investments at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 7,111,634	\$ -	\$ -	\$ 7,111,634
Bonds	-	35,020	-	35,020
Money market	151,780	-	-	151,780
	<u>151,780</u>	<u>-</u>	<u>-</u>	<u>151,780</u>
Total investments	<u>\$ 7,263,414</u>	<u>\$ 35,020</u>	<u>\$ -</u>	<u>\$ 7,298,434</u>

The following is a summary of the fair value of investments at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 6,513,296	\$ -	\$ -	\$ 6,513,296
Exchange traded funds	389,324	-	-	389,324
Exchange traded notes	124,794	-	-	124,794
Bonds	-	188,130	-	188,130
Money market	1,767	-	-	1,767
	<u>1,767</u>	<u>-</u>	<u>-</u>	<u>1,767</u>
Total investments	<u>\$ 7,029,181</u>	<u>\$ 188,130</u>	<u>\$ -</u>	<u>\$ 7,217,311</u>

CHILD CRISIS ARIZONA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016 and 2015

NOTE 3 INVESTMENTS HELD FOR CHILD CRISIS ARIZONA

During the year ended June 30, 2012, CCA transferred \$125,000 to the Foundation to be invested as part of its windfall gift acceptance policy. At June 30, 2016 and 2015, the total amount of investments held for CCA by the Foundation amounted to \$180,426 and \$178,219, respectively.

NOTE 4 SPLIT INTEREST AGREEMENT AND TEMPORARILY RESTRICTED NET ASSETS

The Foundation was the trustee of the Peter J. Yurkovich Charitable Remainder Unitrust (CRUT). The CRUT made quarterly distributions to Peter Yurkovich's daughter, in an amount equal to the lesser of 5% of the fair value of the assets or trust income, as defined in the agreement. The CRUT terminated during the year ended June 30, 2016, at which time the remaining principal and income of the trust became unrestricted to the Foundation. The amount of \$192,971 is included in net assets released from restrictions on the statement of activities for the year ended June 30, 2016. The fair value of the CRUT's assets was \$198,536 as of June 30, 2015, and was included in restricted investments on the statement of financial position. The present value of the trust liability, discounted at 3.9%, was \$13,722 as of June 30, 2015. The difference between the fair market value of the trust investment and the trust liability was recorded as temporarily restricted net assets in the amount of \$184,814 as of June 30, 2015.

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation did not contribute any amounts to CCA during the year ended June 30, 2016. The Foundation contributed \$500,000 to CCA during the year ended June 30, 2015.

During the year ended June 30, 2016, CCA paid for operating expenses of the Foundation amounting to \$13,295. This amount is included in Due to Child Crisis Arizona on the statement of financial position at June 30, 2016.

NOTE 6 SUBSEQUENT EVENT

Crisis Nursery, Inc. ("CNI") and Child Crisis Center ("CCC") merged their entities and operations on April 1, 2015, continuing as Child Crisis Arizona ("CCA"). During the year ended June 30, 2016, the boards of directors of the Foundation and Child Crisis Center Foundation ("CCCF") announced their intent to merge entities and operations. As a result of the merger of CNI and CCC, the Foundation and CCCF believed that a merged foundation could support CCA with greater efficiency. The merger was completed on July 1, 2016, with CCCF merging with and into the Foundation, and the Foundation continuing as the surviving 501(c)(3) entity. Accordingly, the Foundation assumed all the assets, obligations, and liabilities of CCCF on July 1, 2016.