CHILD CRISIS CENTER

CONSOLIDATED FINANCIAL STATEMENTS

FIFTEEN MONTHS ENDED MARCH 31, 2015

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Center
Mesa, Arizona

We have audited the accompanying consolidated financial statements of Child Crisis Center and Child Crisis Center Foundation (the Center), which comprise the consolidated statement of financial position as of March 31, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the fifteen month period then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Center as of March 31, 2015, and the changes in their net assets and their cash flows for the fifteen month period then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Phoenix, Arizona
November 17, 2015

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2015

ASSETS

CURRENT ASSETS		
Cash and Cash Equivalents	$	358,028
Contracts Receivable		783,245
Current Maturities of Pledges Receivable		148,165
Prepaid and Other Assets		52,496
Total Current Assets		1,341,934
PROPERTY AND EQUIPMENT, NET		3,440,289
OTHER ASSETS		
Pledges Receivable, Net		334,744
Investments		2,442,897
Deposits		14,571
Total Other Assets		2,792,212
Total Assets	$	7,574,435

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$	770,809
Total Liabilities		770,809
NET ASSETS		
Unrestricted		6,745,551
Temporarily Restricted		58,075
Total Net Assets		6,803,626
Total Liabilities and Net Assets	$	7,574,435

See accompanying Notes to Consolidated Financial Statements.

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2015

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Arizona Department of Economic Security	$ 2,458,001	$ -	$ 2,458,001
Arizona Department of Health Services	107,522	-	107,522
Early Childhood Development and Health Board	2,473,344	-	2,473,344
Other Service Fees	89,348	-	89,348
United Way	411,675	-	411,675
Tribal Contracts	617,350	-	617,350
Grants	1,176,813	116,150	1,292,963
Gifts and Contributions	2,804,830	-	2,804,830
Special Events, Net of Direct Benefit Expenses of $62,018	714,116	-	714,116
Gifts-in-Kind	435,188	-	435,188
Total Public Support	11,288,187	116,150	11,404,337
Revenue:			
Interest and Dividends	15,463	-	15,463
Miscellaneous	7,338	-	7,338
Realized Gain on Sale of Investments	88,620	-	88,620
Unrealized Gain on Investments	8,638	-	8,638
Loss on Disposal of Property and Equipment	(9,227)	-	(9,227)
Total Revenue	110,832	-	110,832
Net Assets Released from Restrictions	238,900	(238,900)	-
Total Public Support and Revenue	11,637,919	(122,750)	11,515,169
EXPENSE			
Program Services:			
Shelter	3,142,306	-	3,142,306
Prevention	1,352,037	-	1,352,037
Foster Adopt	1,280,370	-	1,280,370
Home Visitation	2,209,442	-	2,209,442
Total Program Services	7,984,155	-	7,984,155
Supporting Services:			
General and Administrative	1,626,545	-	1,626,545
Fundraising	600,600	-	600,600
Total Supporting Services	2,227,145	-	2,227,145
Total Expense	10,211,300	-	10,211,300
CHANGE IN NET ASSETS	1,426,619	(122,750)	1,303,869
Net Assets - Beginning of Year	5,318,932	180,825	5,499,757
NET ASSETS - END OF YEAR	$ 6,745,551	$ 58,075	$ 6,803,626

See accompanying Notes to Consolidated Financial Statements.

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2015

	Program Services			
	Shelter	Prevention	Foster Adopt	Home Visitation
Salaries	$ 1,871,560	$ 807,869	$ 786,798	$ 1,331,438
Payroll Taxes and Employee Related Expenses	416,512	176,481	143,023	275,317
Total	2,288,072	984,350	929,821	1,606,755
Advertising	4,502	994	10,158	143,628
Activities	10,383	752	30,214	1,584
Bad Debt	-	-	-	-
Cleaning	8,816	6,792	4,829	6,337
Community Education	-	2,500	1,690	-
Donor Recognition	185	123	60	71
Food	128,964	4,606	1,158	221
Insurance	16,299	13,193	8,365	4,795
Interest	-	-	-	-
Leases	48,422	18,203	13,053	27,561
Professional Fees	36,771	32,576	28,662	28,250
Miscellaneous	(3,241)	1,645	225	-
Prevention and Care Services	56,161	42,490	57,847	63,705
Rent	242,238	34,199	3,307	47,001
Repairs & Maintenance	48,905	14,016	10,540	1,929
Staff Training/Seminars	6,310	6,333	2,006	21,637
Supplies	75,783	31,128	20,706	106,059
Subscriptions and Dues	2,629	3,635	858	5,277
Telephone	23,582	23,933	19,257	37,542
Travel	33,553	15,198	33,489	84,680
Utilities	37,852	23,507	16,154	10,094
Total	778,114	275,823	262,578	590,371
Total Expenses Before Depreciation	3,066,186	1,260,173	1,192,399	2,197,126
Depreciation Expense	76,120	91,864	87,971	12,316
Total Functional Expenses	$ 3,142,306	$ 1,352,037	$ 1,280,370	$ 2,209,442

See accompanying Notes to Consolidated Financial Statements.

Supporting Services			
General & Administrative	Fund Raising	Total	Total
$ 816,846	$ 366,989	$ 1,183,835	$ 5,981,500
160,382	72,056	232,438	1,243,771
977,228	439,045	1,416,273	7,225,271
-	9,143	9,143	168,425
-	-	-	42,933
32,746	-	32,746	32,746
2,519	1,132	3,651	30,425
-	-	-	4,190
-	-	-	439
8,694	5,009	13,703	148,652
4,014	1,802	5,816	48,468
26,439	-	26,439	26,439
8,032	3,608	11,640	118,879
309,599	66,814	376,413	502,672
62,559	-	62,559	61,188
-	-	-	220,203
1,729	2,277	4,006	330,751
7,245	3,251	10,496	85,886
3,414	27,966	31,380	67,666
47,523	22,059	69,582	303,258
1,169	3,525	4,694	17,093
9,666	4,343	14,009	118,323
34,597	6,923	41,520	208,440
8,243	3,703	11,946	99,553
568,188	161,555	729,743	2,636,629
1,545,416	600,600	2,146,016	9,861,900
81,129	-	81,129	349,400
$ 1,626,545	$ 600,600	$ 2,227,145	$ 10,211,300

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
FIFTEEN MONTH PERIOD ENDED MARCH 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	$ 1,303,869
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
Depreciation	349,400
In-Kind Donations of Property and Equipment	(65,912)
Donated Investments	(41,347)
Realized Loss on Investments	(88,620)
Unrealized Gain on Investments	(8,638)
Loss on Disposal of Property and Equipment	9,227
(Increase) Decrease in Operating Assets:	
Contracts Receivable	(73,891)
Pledges Receivable	(107,181)
Prepaid Expenses	(19,846)
Deposits	(3,200)
Increase (Decrease) in Operating Liabilities:	
Accounts Payable and Accrued Expenses	299,708
Net Cash Provided by Operating Activities	1,553,569
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from the Sale of Investments	568,827
Purchases of Investments	(1,455,956)
Net Cash Used Investing Activities	(887,129)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Note Payable	(543,876)
Net Cash Used by Financing Activities	(543,876)
NET INCREASE IN CASH AND CASH EQUIVALENTS	122,564
Cash and Cash Equivalents - Beginning of Year	235,464
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 358,028
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Interest Paid	$ 26,439
In-Kind Donations of Property and Equipment	$ 65,912

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Center and Operations

The Child Crisis Center (the "Center") is a non-profit organization established in 1981 for the purpose of providing a temporary shelter for children through age twelve who have been either abused or are in an environment where their well being is in jeopardy. The Center provides counseling and guidance to the parents or guardians of these children. The Center also supports and strengthens families through education and intervention provided for parents at their Family Resource Center and through home visits. Also, Arizona Adoption and Foster Care is a program of the Center that recruits and trains foster and adoptive parents and places children in their homes. The Center provides all these services in the metropolitan Phoenix area.

Basis of Consolidation

The Child Crisis Center Foundation (the "Foundation") solicits, receives, and manages funds for the benefit of the Center.

The financial statements of the Center and the Foundation have been consolidated. As of March 31, 2015, board members from the Center had a majority voting interest on the Foundation's board of directors. In addition, the Foundation's bylaws state that at least a majority of the members of the Foundation's board of directors shall be members of the Center's Board of Directors. Accordingly, the accompanying financial statements include the accounts of the Center and the Foundation. All significant intercompany account balances and transactions have been eliminated in the accompanying consolidated financial statements.

Financial Statement Presentation

The Center reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted – Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the board of directors for use in the Center's operations, in accordance with its bylaws.

Temporarily Restricted – Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Center and/or the passage of time. Restricted contributions received in the same period in which the restrictions are met are recorded as an increase in unrestricted support at the time of receipt.

Permanently Restricted – Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements.

As of March 31, 2015, the Center only had unrestricted and temporarily restricted net assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Center considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents.

The Center in the normal course of business, maintains checking and savings account balances in excess of the Federal Deposit Insurance Corporations insurance coverage limits.

Contracts Receivable

Contracts receivable consist primarily of amounts due for services provided to the community. Service fees are based on costs and units of service. Contract receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Center considers all receivables collectible and, accordingly has not made an allowance for uncollectible accounts.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the contribution is received. Conditional pledges are not included as support until such time as the conditions are substantially met. The Center currently does not have conditional pledges.

Property and Equipment

Property and equipment are carried at cost or for donated assets the fair value at the date of donation. Maintenance and repairs are expensed as incurred; significant acquisitions and improvements costing over $5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office Equipment	3 to 10 Years
Clinic Equipment	5 to 10 Years
Vehicles	5 Years
Leasehold Improvements	Lease Term to 20 Years
Building	10 to 30 Years

Investments

The Center records investments with readily determinable fair values at fair value as determined by quoted market prices. Unrealized gains and losses are included in the consolidated statement of activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Center reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

In-Kind Donations

The Center records revenue and a corresponding expense for donated services that creates or enhances nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of donated services is determined based on the fair value of the services received or the increase in the fair value of the assets that are attributable to the donated services. The Center recorded contributed rent of $267,344, professional services of $54,125, and other donations in-kind of $47,808 for the fifteen month period ended March 31, 2015. The Center also recorded contributed property and equipment of $65,912 for the fifteen month period ended March 31, 2015.

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Center. The value of volunteer services is not reflected in these financial statements. No amounts have been reflected in the accompanying financial statement for these donated services because they do not meet the criteria for revenue recognition established by accounting principles.

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Salaries and related expenses are allocated based on the job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Center is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and, therefore, has no provision for federal income taxes.

The Organization adopted a policy that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no impact on the Center's financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those amounts.

Fair Value of Financial Instruments

The Center measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The objective of a fair value measurement is to determine 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 (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Center may use valuation techniques consistent with the market, income and cost approaches to measure fair value.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value of Financial Instruments (Continued)

The inputs used to measure fair value are categorized into the following three categories:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical investments, such as stocks, corporate and government bonds. The Center has the ability to access as of the measurement date.

Level 2 – Inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.

Level 3 – Inputs that are unobservable. Unobservable inputs reflect Center's own assumptions about the factors market participants would use in pricing an investment, and is based on the best information available in the circumstances.

The Center has the option to elect to measure financial instruments at fair value for the initial and subsequent measurement for certain financial assets and liabilities on an instrument-by-instrument basis. The Center has not elected to measure any existing financial instruments at fair value at March 31, 2015. However, the Center may elect to measure newly acquired financial instruments at fair value in the future.

Subsequent Events

In preparing these financial statements, the Center has evaluated events and transactions for potential recognition or disclosure through November 17, 2015, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK

Credit Risk

The Center is subject to concentrations of credit risk with respect to contract receivables and contract revenues due to its limited customer base. The Arizona Department of Economic Security accounted for 46%, First Things First funding accounted for 30%, and Tribal Contracts accounted for 12% of contract receivables as of March 31, 2015. The Arizona Department of Economic Security accounted for 21%, and First Things First funding accounted for 22% of public support and revenue for fifteen month period ended March 31, 2015.

Market Value Risk

The Center invests in debt and equity investments. These investments are exposed to various risk, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable are as follows:

Pledges Receivable		
Receivable Due in Less than One Year	$	148,165
Receivable Due in One to Five Years		376,919
Total Pledges Receivable		525,084
Less: Discount to Present Value (1.37% and 1.75%)		(10,670)
Less: Allowance for Uncollectible Pledges		(31,505)
Net Pledges Receivable		482,909
Less: Current Portion		(148,165)
Noncurrent portion	$	334,744

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Office Equipment	$	659,817
Clinic Equipment		28,869
Vehicles		309,318
Leasehold Improvements		713,081
Building		4,169,778
Land		203,454
Total		6,084,317
Less: Accumulated Depreciation		2,644,028
Property and Equipment, Net	$	3,440,289

NOTE 5 INVESTMENTS

Investments consist of the following:

Money Market Funds	$	95,527
Corporate Bonds		647,371
Equity Funds		1,074,446
Bond Funds		226,067
Exchange Traded Funds		399,486
Total Investments	$	2,442,897

NOTE 6 LINE OF CREDIT

The Center has a revolving line of credit for $275,000 with an interest rate of prime plus 1.5% with a floor of 5% (5% at March 31, 2015). The line expires October 1, 2015. There was no outstanding balance on the line as of March 31, 2015.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

At March 31, 2015, temporarily restricted net assets were available to be used in a future period.

Net assets of $238,900 were released when the program or time restrictions were met as of March 31, 2015.

NOTE 8 RETIREMENT PLAN

The Center maintains a qualified retirement plan under section 403(b) of the Internal Revenue Code. Employees of the Center are eligible to participate after one year of service and the attainment of age twenty-one.

The Center may make discretionary matching contributions equal to a percentage of each participant's deferred compensation, up to 5% of compensation, determined annually by the Center. The Center did not make a contribution during the fifteen month period ended March 31, 2015.

NOTE 9 LEASE COMMITMENTS

Operating Leases

The Center has two lease agreements for the use of the facilities used in operations with the City of Mesa at an annual rent of $2. The fair value of comparable leased facilities is estimated to be approximately $267,344 which is recorded as both gifts-in-kind and rent expense for the fifteen month period ended March 31, 2015. The leases are scheduled to expire on May 30, 2015 and December 31, 2017. One of the leases provides either the Center or the City of Mesa the right to terminate the leases for any reason, without penalty, on six months prior written notice to the other party at any time during the remaining term of the lease. The other lease only provides the right of termination to the City of Mesa.

The Center has entered into various lease agreements which are classified as operating leases for office equipment at March 31, 2015. Lease expense less amounts considered in-kind for the fifteen month period ended March 31, 2015, was $143,501.

NOTE 9 LEASE COMMITMENTS (CONTINUED)

Future minimum payments on the operating leases are as follows:

Period Ending December 31,	Amount
2015	$ 76,161
2016	78,100
2017	48,601
2018	13,752
2019	743
Total	$ 217,357

NOTE 10 FAIR VALUE MEASUREMENTS

The Center uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Center measures fair value refer to Note 1 – Summary of Significant Accounting Principles. The following table presents the fair value hierarchy for the balances of the assets of the Center measured at fair value on a recurring basis as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Corporate Bonds	$ -	$ 647,371	$ -	$ 647,371
Equity Funds	1,074,446	-	-	1,074,446
Bond Funds	226,067	-	-	226,067
Exchange Traded Fund	399,486	-	-	399,486
Money Market Funds	-	-	-	95,527
Total Investments at Fair Value	$ 1,699,999	$ 647,371	$ -	$ 2,442,897

NOTE 11 SUBSEQUENT EVENTS

Effective April 1, 2015, the Organization completed a business combination transaction with Crisis Nursery, an entity exempt from federal income taxes under Section 501(c)(3). Under the terms of the agreement, Child Crisis Center ceased to exist as a corporation and all of its assets and liabilities were assumed by The Crisis Nursery, Inc. The newly combined entity is known as Child Crisis Arizona.