CHILD CRISIS CENTER

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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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 (the Center), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 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 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 December 31, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

Phoenix, Arizona
September 8, 2014

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 235,464	$ 209,877
Contracts Receivable	709,354	825,558
Current Maturities of Pledges Receivable	106,847	222,490
Prepaid and Other Assets	32,650	30,947
Total Current Assets	1,084,315	1,288,872
PROPERTY AND EQUIPMENT, NET	3,733,004	3,962,421
OTHER ASSETS		
Pledges Receivable, Net	268,881	-
Investments	1,417,163	1,341,917
Deposits	11,371	7,021
Total Other Assets	1,697,415	1,348,938
Total Assets	$ 6,514,734	$ 6,600,231
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	$ 466,166	$ 619,433
Current Portion of Note Payable	39,854	37,632
Total Current Liabilities	506,020	657,065
LONG-TERM LIABILITIES		
Accrued Expenses, Less Current Portion	4,935	16,349
Note Payable, Less Current Portion	504,022	544,691
Total Long-Term Liabilities	508,957	561,040
Total Liabilities	1,014,977	1,218,105
NET ASSETS		
Unrestricted	5,318,932	4,954,611
Temporarily Restricted	180,825	427,515
Total Net Assets	5,499,757	5,382,126
Total Liabilities and Net Assets	$ 6,514,734	$ 6,600,231

See accompanying Notes to Consolidated Financial Statements.

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Arizona Department of Economic Security	$ 2,082,052	$ -	$ 2,082,052
Arizona Department of Health Services	128,542	-	128,542
Early Childhood Development and Health Board	2,054,347	-	2,054,347
Other Service Fees	79,389	-	79,389
United Way	367,180	-	367,180
Tribal Contracts	271,517	-	271,517
Grants	528,351	261,784	790,135
Gifts and Contributions	905,818	-	905,818
Special Events, Net of Direct Benefit Expenses of $18,201	917,436	-	917,436
Gifts-in-Kind	405,131	-	405,131
Total Public Support	7,739,763	261,784	8,001,547
Revenue:			
Interest and Dividends	29,060	-	29,060
Miscellaneous	15,297	-	15,297
Realized Gain on Sale of Investments	78,742	-	78,742
Realized Gain on Sale of Assets	360	-	360
Unrealized Loss on Investments	(3,310)	-	(3,310)
Total Revenue	120,149	-	120,149
Net Assets Released from Restrictions	508,474	(508,474)	-
Total Public Support and Revenue	8,368,386	(246,690)	8,121,696
EXPENSE			
Program Services:			
Shelter	2,579,902	-	2,579,902
Prevention	1,034,422	-	1,034,422
Foster Adopt	928,830	-	928,830
Home Visitation	1,773,346	-	1,773,346
Total Program Services	6,316,500	-	6,316,500
Supporting Services:			
General and Administrative	1,237,497	-	1,237,497
Fundraising	450,068	-	450,068
Total Supporting Services	1,687,565	-	1,687,565
Total Expense	8,004,065	-	8,004,065
CHANGE IN NET ASSETS	364,321	(246,690)	117,631
Net Assets - Beginning of Year	4,954,611	427,515	5,382,126
NET ASSETS - END OF YEAR	$ 5,318,932	$ 180,825	$ 5,499,757

See accompanying Notes to Consolidated Financial Statements.

	2012		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Arizona Department of Economic Security	$ 2,055,785	$ -	$ 2,055,785
Arizona Department of Health Services	47,686	-	47,686
Early Childhood Development and Health Board	2,006,821	-	2,006,821
Other Service Fees	89,621	-	89,621
United Way	351,492	-	351,492
Tribal Contracts	587,434	-	587,434
Grants	40,846	838,395	879,241
Gifts and Contributions	889,705	-	889,705
Special Events, Net of Direct Benefit Expenses of $58,299	520,481	-	520,481
Gifts-in-Kind	295,547	-	295,547
Total Public Support	6,885,418	838,395	7,723,813
Revenue:			
Interest and Dividends	26,537	-	26,537
Miscellaneous	9,860	-	9,860
Realized Loss on Sale of Investments	(1,056)	-	(1,056)
Unrealized Gain on Investments	76,254	-	76,254
Total Revenue	111,595	-	111,595
Net Assets Released from Restrictions	509,283	(509,283)	-
Total Public Support and Revenue	7,506,296	329,112	7,835,408
EXPENSE			
Program Services:			
Shelter	2,376,568	-	2,376,568
Prevention	686,636	-	686,636
Foster Adopt	1,066,636	-	1,066,636
Home Visitation	1,822,910	-	1,822,910
Total Program Services	5,952,750	-	5,952,750
Supporting Services:			
General and Administrative	1,315,484	-	1,315,484
Fundraising	216,590	-	216,590
Total Supporting Services	1,532,074	-	1,532,074
Total Expense	7,484,824	-	7,484,824
CHANGE IN NET ASSETS	21,472	329,112	350,584
Net Assets - Beginning	4,933,139	98,403	5,031,542
NET ASSETS - END OF YEAR	$ 4,954,611	$ 427,515	$ 5,382,126

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Program Services				
	Shelter	Prevention	Foster Adopt	Home Visitation	Total
Salaries	$ 1,408,160	$ 629,456	$ 542,187	$ 1,064,545	$ 3,644,348
Payroll Taxes and Employee Related Expenses	329,896	132,701	100,134	223,955	786,686
Total	1,738,056	762,157	642,321	1,288,500	4,431,034
Advertising	2,273	1,665	17,763	150,169	171,870
Activities	7,969	472	23,855	746	33,042
Bad Debt	-	-	-	-	-
Cleaning	6,658	3,969	3,406	4,922	18,955
Community Education	-	530	1,449	-	1,979
Donor Recognition	602	71	48	69	790
Food	91,242	2,283	778	221	94,524
Insurance	15,885	12,664	7,525	3,458	39,532
Interest	-	-	-	-	-
Leases	43,289	9,700	12,425	20,680	86,094
Professional Fees	38,998	23,880	11,557	6,842	81,277
Miscellaneous	18,834	2,261	199	-	21,294
Prevention and Care Services	51,163	29,245	57,677	50,445	188,530
Rent	193,845	27,124	2,599	36,912	260,480
Repairs & Maintenance	40,385	6,868	6,427	2,290	55,970
Staff Training/Seminars	27,688	1,915	229	17,022	46,854
Supplies	41,505	20,392	5,471	60,396	127,764
Subscriptions and Dues	883	2,807	663	5,990	10,343
Telephone	18,357	19,777	14,266	24,810	77,210
Travel	33,027	5,683	30,121	80,404	149,235
Utilities	35,348	18,610	13,514	6,858	74,330
Total	667,951	189,916	209,972	472,234	1,540,073
Total Expenses Before Depreciation	2,406,007	952,073	852,293	1,760,734	5,971,107
Depreciation Expense	173,895	82,349	76,537	12,612	345,393
Total Functional Expenses	$ 2,579,902	$ 1,034,422	$ 928,830	$ 1,773,346	$ 6,316,500

See accompanying Notes to Consolidated Financial Statements.

	Supporting Services			
	G&A	Fund Raising	Total	Total
Salaries	$ 608,322	$ 273,305	$ 881,627	$ 4,525,975
Payroll Taxes and Employee Related Expenses	130,209	58,501	188,710	975,396
Total	738,531	331,806	1,070,337	5,501,371
Advertising	-	1,195	1,195	173,065
Activities	-	-	-	33,042
Bad Debt	28,458	-	28,458	28,458
Cleaning	1,954	878	2,832	21,787
Community Education	-	-	-	1,979
Donor Recognition	-	-	-	790
Food	-	-	-	94,524
Insurance	4,022	1,266	5,288	44,820
Interest	39,395	-	39,395	39,395
Leases	8,179	3,674	11,853	97,947
Professional Fees	236,195	78,635	314,830	396,107
Miscellaneous	14,245	-	14,245	35,539
Prevention and Care Services	-	-	-	188,530
Rent	-	-	-	260,480
Repairs & Maintenance	8,377	3,763	12,140	68,110
Staff Training/Seminars	4,153	1,866	6,019	52,873
Supplies	56,220	17,653	73,873	201,637
Subscriptions and Dues	1,067	479	1,546	11,889
Telephone	7,896	3,547	11,443	88,653
Travel	9,360	1,872	11,232	160,467
Utilities	7,643	3,434	11,077	85,407
Total	427,164	118,262	545,426	2,085,499
Total Expenses Before Depreciation	1,165,695	450,068	1,615,763	7,586,870
Depreciation Expense	71,802	-	71,802	417,195
Total Functional Expenses	$ 1,237,497	$ 450,068	$ 1,687,565	$ 8,004,065

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2012

	Program Services				
	Shelter	Prevention	Foster Adopt	Home Visitation	Total
Salaries	$ 1,387,297	$ 383,527	$ 601,608	$ 988,836	$ 3,361,268
Payroll Taxes and Employee Related Expenses	310,766	82,032	128,030	251,707	772,535
Total	1,698,063	465,559	729,638	1,240,543	4,133,803
Advertising	959	1,358	6,648	93,720	102,685
Activities	8,553	282	27,652	680	37,167
Cleaning	4,941	2,491	3,537	3,731	14,700
Community Education	-	45	2,800	-	2,845
Donor Recognition	291	51	79	71	492
Food	94,979	1,364	849	136	97,328
Insurance	14,937	6,940	9,393	4,263	35,533
Interest	-	-	-	-	-
Leases	43,942	10,664	12,302	15,326	82,234
Professional Fees	19,287	16,393	13,012	9,911	58,603
Miscellaneous	129	2,700	152	-	2,981
Prevention and Care Services	47,779	9,565	97,857	225,317	380,518
Rent	194,003	26,490	3,219	36,415	260,127
Repairs & Maintenance	39,834	5,540	8,661	1,169	55,204
Staff Training/Seminars	3,571	2,580	1,191	13,830	21,172
Supplies	49,916	21,321	12,156	68,031	151,424
Subscriptions and Dues	1,330	1,103	712	2,988	6,133
Telephone	19,151	11,908	15,875	17,014	63,948
Travel	25,326	4,042	25,582	69,447	124,397
Utilities	44,057	10,844	15,266	8,965	79,132
Total	612,985	135,681	256,943	571,014	1,576,623
Total Expenses Before Depreciation	2,311,048	601,240	986,581	1,811,557	5,710,426
Depreciation Expense	65,520	85,396	80,055	11,353	242,324
Total Functional Expenses	$ 2,376,568	$ 686,636	$ 1,066,636	$ 1,822,910	$ 5,952,750

See accompanying Notes to Consolidated Financial Statements.

	Supporting Services			
	G&A	Fund Raising	Total	Total
Salaries	$ 527,399	$ 216,030	$ 743,429	$ 4,104,697
Payroll Taxes and Employee Related Expenses	146,750	-	146,750	919,285
Total	674,149	216,030	890,179	5,023,982
Advertising	1,566	-	1,566	104,251
Activities	-	-	-	37,167
Cleaning	2,005	-	2,005	16,705
Community Education	-	-	-	2,845
Donor Recognition	-	-	-	492
Food	-	-	-	97,328
Insurance	4,846	-	4,846	40,379
Interest	38,846	-	38,846	38,846
Leases	8,918	-	8,918	91,152
Professional Fees	381,466	-	381,466	440,069
Miscellaneous	1,426	-	1,426	4,407
Prevention and Care Services	-	-	-	380,518
Rent	1,445	560	2,005	262,132
Repairs & Maintenance	7,485	-	7,485	62,689
Staff Training/Seminars	2,887	-	2,887	24,059
Supplies	64,474	-	64,474	215,898
Subscriptions and Dues	837	-	837	6,970
Telephone	8,627	-	8,627	72,575
Travel	30,157	-	30,157	154,554
Utilities	10,791	-	10,791	89,923
Total	565,776	560	566,336	2,142,959
Total Expenses Before Depreciation	1,239,925	216,590	1,456,515	7,166,941
Depreciation Expense	75,559	-	75,559	317,883
Total Functional Expenses	$ 1,315,484	$ 216,590	$ 1,532,074	$ 7,484,824

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 117,631	$ 350,584
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	417,195	317,883
In-Kind Donations of Property and Equipment	(132,587)	(28,090)
Donated Investments	(4,745)	(28,495)
Realized Gain (Loss) on Investments	(78,742)	1,056
Unrealized (Gain) Loss on Investments	3,310	(74,750)
(Increase) Decrease in Operating Assets:		
Contracts Receivable	116,204	51,583
Pledges Receivable	(153,238)	(218,605)
Prepaid Expenses	(1,703)	13,626
Deposits	(4,350)	(1,953)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(164,681)	38,476
Net Cash Provided by Operating Activities	114,294	421,315
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	1,121,024	325,825
Purchases of Investments	(1,116,093)	(551,632)
Purchases of Property and Equipment	(55,191)	(43,840)
Net Cash Used by Investing Activities	(50,260)	(269,647)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Note Payable	(38,447)	(37,476)
Net Cash Used by Financing Activities	(38,447)	(37,476)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,587	114,192
Cash and Cash Equivalents - Beginning of Year	209,877	95,685
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 235,464	$ 209,877
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 37,970	$ 38,846
In-Kind Donations of Property and Equipment	$ 132,587	$ 28,090

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 December 31, 2013 and 2012, 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 December 31, 2013 and 2012, 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	0 to 5 Years
Building	0 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 $213,875, professional services of $38,325, and other donations in-kind of $20,344 for year ended December 31, 2013. For the year ended December 31, 2012, the Center recorded contributed rent of $213,875, professional services of $24,935, and other donations in-kind of $28,646. The Center recorded contributed property and equipment of $132,587 and $28,090 as of December 31, 2013 and 2012, respectively.

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.

The Organization files as a tax-exempt organization. As of December 31, 2013, its 2010 through 2012 tax years are open for examination by the IRS.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those 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 December 31, 2013 and 2012. 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 September 8, 2014, 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 28% and First Things First funding accounted for 48% of contract receivables as of December 31, 2013. As of December 31, 2012, the Arizona Department of Economic Security accounted for 30%, First Things First accounted for 42%, and Tribal Contracts accounted for 13% of contract receivables. The Arizona Department of Economic Security accounted for 26%, and First Things First funding accounted for 26% of public support and revenue for year ended December 31, 2013. The Arizona Department of Economic Security accounted for 26%, and First Things First funding accounted for 26% of public support and revenue for year ended December 31, 2012.

NOTE 2 CONCENTRATION OF CREDIT RISK (CONTINUED)

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	2013	2012
Receivable Due in Less than One Year	$ 106,847	$ 222,490
Receivable Due in One to Five Years	303,876	-
Total Pledges Receivable	410,723	222,490
Less: Discount to Present Value (1.75%)	(10,495)	-
Less: Allowance for Uncollectible Pledges	(24,500)	-
Net Pledges Receivable	375,728	222,490
Less: Current Portion	(106,847)	(222,490)
Noncurrent portion	$ 268,881	$ -

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013	2012
Office Equipment	$ 1,174,771	$ 1,130,368
Clinic Equipment	150,665	140,233
Vehicles	244,043	212,056
Leasehold Improvements	1,985,611	1,884,982
Building	4,169,778	4,169,778
Land	203,454	203,454
Total	7,928,322	7,740,871
Less: Accumulated Depreciation	4,195,318	3,778,450
Property and Equipment, Net	$ 3,733,004	$ 3,962,421

NOTE 5 INVESTMENTS

Investments consist of the following:

	2013	2012
Money Market Funds	$ 54,523	$ 103,596
Fixed Income Funds	-	439,577
Corporate Bonds	169,278	-
CD's	105,088	-
Equity Funds	523,512	523,381
Real Estate and Specialty Asset Funds	-	127,707
Mutual Funds - Blended	-	147,656
Bond Funds	182,290	-
Exchange Traded Funds	382,472	-
Total Investments	$ 1,417,163	$ 1,341,917

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 December 31, 2013). The line expired April 1, 2013 and was subsequently extended to October 1, 2014. The line of credit balance as of December 31, 2013 and 2012 was $-0- for each year.

NOTE 7 NOTE PAYABLE

The Center has a note payable requiring monthly payments of $5,845 with a balloon payment due on April 20, 2016. The note bears an interest rate of 5.75%. The note is secured by the Center's property, investments, pledges, cash and cash equivalents.

Future minimum payments on the note payable are as follows:

Year Ending December 31,	Amount
2014	$ 39,854
2015	42,207
2016	461,815
Total	$ 543,876

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2013 and 2012, temporarily restricted net assets were available for the following purposes:

	2013	2012
Adoption and Foster Care	$ 30,000	$ 30,000
Connections Training	50,000	34,000
Medical Program and Emergency Shelter	2,500	48,500
Emergency Shelter	11,901	15,000
Future Period	86,424	300,015
Total	$ 180,825	$ 427,515

Net assets of $508,474 and $509,283 were released when the program or time restrictions were met as of December 31, 2013 and 2012, respectively.

NOTE 9 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 years ended December 31, 2013 and 2012.

NOTE 10 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 bi-annual fair value of comparable leased facilities is estimated to be approximately $213,875 which is recorded as both gifts-in-kind and rent expense for each of the years ended December 31, 2013 and 2012. 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 December 31, 2013 and 2012. Lease expense less amounts considered in-kind for years ended December 31, 2013 and 2012, was $88,847 and $79,386, respectively.

NOTE 10 LEASE COMMITMENTS (CONTINUED)

The Center entered into three new copier lease agreements on February 1, 2014. One will expire on April 30, 2017 and two will expire on January 31, 2019 with total monthly payments of $1,029.

Future minimum payments on the operating leases are as follows:

Year Ending December 31,	Amount
2014	$ 115,394
2015	102,832
2016	77,700
2017	52,215
2018	13,752
Thereafter	746
Total	$ 362,639

During 2009, the Center terminated a 4 year lease. During 2010, a settlement was reached in which the Center will pay $1,000 per month for the next 5 years with the first payment paid on June 1, 2010. As of December 31, 2013, the total commitment discounted is $15,420, of which $10,485 is current and $4,935 is non-current The total commitment discounted at December 31, 2012 was $26,299, of which $9,950 was current and $16,349 was non-current, which has been recorded in accrued expenses.

NOTE 11 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:

	2013			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Corporate Bonds	$ -	$ 169,278	$ -	$ 169,278
Brokered CD's	-	105,088	-	105,088
Equity Funds	523,512	-	-	523,512
Bond Funds	182,290	-	-	182,290
Exchange Traded Fund	382,472	-	-	382,472
Cash	-	-	-	54,523
Total Investments at Fair Value	$ 1,088,274	$ 274,366	$ -	$ 1,417,163

NOTE 11 FAIR VALUE MEASUREMENTS (CONTINUED)

	2012			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Fixed Income Funds	$ 439,577	$ -	$ -	$ 439,577
Equities	523,381	-	-	523,381
Real Estate Funds	127,707	-	-	127,707
Mutual Funds - Blended	147,656	-	-	147,656
Cash	-	-	-	103,596
Total Investments at Fair Value	$ 1,238,321	$ -	$ -	$ 1,341,917