

THE CRISIS NURSERY FOUNDATION

Phoenix, Arizona

FINANCIAL STATEMENTS

Years Ended June 30, 2014 and 2013





HENRY & HORNE, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Crisis Nursery Foundation

We have audited the accompanying financial statements of The Crisis Nursery Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Crisis Nursery Foundation as of June 30, 2014 and 2013, 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 8, 2014

THE CRISIS NURSERY FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Investments	\$ 7,352,446	\$ 6,500,350
Investments - restricted	203,554	203,714
	<u>7,556,000</u>	<u>6,704,064</u>
TOTAL ASSETS	<u>\$ 7,556,000</u>	<u>\$ 6,704,064</u>
 LIABILITIES		
Investments held for The Crisis Nursery, Inc.	\$ 174,172	\$ 148,379
Trust liability	22,755	34,399
	<u>196,927</u>	<u>182,778</u>
TOTAL LIABILITIES	<u>196,927</u>	<u>182,778</u>
 NET ASSETS		
Unrestricted	7,178,274	6,351,971
Temporarily restricted	180,799	169,315
	<u>7,359,073</u>	<u>6,521,286</u>
TOTAL NET ASSETS	<u>7,359,073</u>	<u>6,521,286</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,556,000</u>	<u>\$ 6,704,064</u>

See accompanying notes.

THE CRISIS NURSERY FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
REVENUES			
Interest, dividends and other	\$ 177,218	\$ 7,414	\$ 184,632
Realized gain (loss) on sale of investments	128,307	-	128,307
Unrealized gain (loss) on investments	780,273	(1,680)	778,593
Change in split interest agreement	-	5,750	5,750
TOTAL REVENUES	<u>1,085,798</u>	<u>11,484</u>	<u>1,097,282</u>
EXPENSES			
Donations to The Crisis Nursery, Inc.	250,000	-	250,000
Professional fees	9,495	-	9,495
TOTAL EXPENSES	<u>259,495</u>	<u>-</u>	<u>259,495</u>
CHANGE IN NET ASSETS	826,303	11,484	837,787
NET ASSETS, BEGINNING OF YEAR	<u>6,351,971</u>	<u>169,315</u>	<u>6,521,286</u>
NET ASSETS, END OF YEAR	<u>\$ 7,178,274</u>	<u>\$ 180,799</u>	<u>\$ 7,359,073</u>

2013		
Unrestricted	Temporarily Restricted	Total
\$ 177,833	\$ 7,565	\$ 185,398
278,632	-	278,632
285,627	1,046	286,673
-	4,471	4,471
<u>742,092</u>	<u>13,082</u>	<u>755,174</u>
500,000	-	500,000
9,475	-	9,475
<u>509,475</u>	<u>-</u>	<u>509,475</u>
232,617	13,082	245,699
<u>6,119,354</u>	<u>156,233</u>	<u>6,275,587</u>
<u>\$ 6,351,971</u>	<u>\$ 169,315</u>	<u>\$ 6,521,286</u>

THE CRISIS NURSERY FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 837,787	\$ 79,397
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:		
Realized and unrealized investment (gain) loss	(906,900)	95,158
Change in value of trust liability	(5,750)	(1,597)
Decrease in due to The Crisis Nursery, Inc.	<u>25,793</u>	<u>-</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(49,070)</u>	<u>172,958</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(184,632)	(307,313)
Transfers of investments from CNI	-	125,000
Proceeds from sale of investments	239,596	18,531
Payments under split interest agreement	<u>(5,894)</u>	<u>(9,176)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>49,070</u>	<u>(172,958)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes.

THE CRISIS NURSERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Organization

The Crisis Nursery 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 Crisis Nursery, Inc. (CNI) and other similar organizations. The Board of Directors of the Foundation and CNI had four common board members as of June 30, 2014 and three common board members as of June 30, 2013.

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 holds \$203,554 and \$203,714 in restricted money market funds and securities at June 30, 2014 and 2013, respectively. These amounts may only be used for disbursements related to the Yurkovich Charitable Remainder Unitrust.

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.

THE CRISIS NURSERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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.

Investments held for The Crisis Nursery, Inc.

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

THE CRISIS NURSERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

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

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. In addition, the Foundation has been classified as an organization that is not a private foundation under Section 509(a)(3).

The Foundation recognizes uncertain tax positions in the financial statements when it is more-likely-than-not the positions will not be sustained upon examination by the tax authorities. At June 30, 2014 and 2013, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

The Foundation's federal and state exempt returns are no longer subject to examination by the Internal Revenue Service and the State of Arizona for fiscal years prior to June 30, 2011 and 2010, respectively, generally three to four years after they were filed.

The Foundation recognizes interest and penalties associated with income taxes in operating expenses. During the years ended June 30, 2014 and 2013, 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.

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.

THE CRISIS NURSERY FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014 and 2013

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 8, 2014, 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, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 6,741,427	\$ -	\$ -	\$ 6,741,427
Exchange traded funds	621,219	-	-	621,219
Bonds	-	193,062	-	193,062
Money market	292	-	-	292
Total investments	<u>\$ 7,362,938</u>	<u>\$ 193,062</u>	<u>\$ -</u>	<u>\$ 7,556,000</u>

The following is a summary of the fair value of investments at June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 6,022,843	\$ -	\$ -	\$ 6,022,843
Exchange traded funds	487,395	-	-	487,395
Bonds	-	193,559	-	193,559
Money market	267	-	-	267
Total investments	<u>\$ 6,510,505</u>	<u>\$ 193,559</u>	<u>\$ -</u>	<u>\$ 6,704,064</u>

THE CRISIS NURSERY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

NOTE 3 INVESTMENTS HELD FOR THE CRISIS NURSERY, INC.

During the year ended June 30, 2012, CNI transferred \$125,000 to the Foundation to be invested as part of its windfall gift acceptance policy. No such transfers were made during the years ended June 30, 2014 or 2013. At June 30, 2014 and 2013, the total amount of investments held for CNI by the Foundation amounted to \$174,172 and \$148,379, respectively.

NOTE 4 SPLIT INTEREST AGREEMENT AND TEMPORARILY RESTRICTED NET ASSETS

The Foundation is the trustee of the Peter J. Yurkovich Charitable Remainder Unitrust (CRUT). The CRUT makes 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 Unitrust terminates in 2016 or upon the death of the beneficiary, at which time the remaining principal and income of the trust is distributed to the Foundation. The fair value of the CRUT's assets was \$203,554 and \$203,714 as of June 30, 2014 and 2013, respectively, which is included in restricted investments on the statement of financial position. The present value of the trust liability, discounted at 3.9%, was \$22,755 and \$34,399 as of June 30, 2014 and 2013, respectively. The difference between the fair market value of the trust investment and the trust liability is recorded as temporarily restricted net assets in the amount of \$180,799 and \$169,315 as of June 30, 2014 and 2013, respectively.

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation contributed \$250,000 to CNI during the year ended June 30, 2014. The Foundation contributed \$500,000 to CNI during the year ended June 30, 2013.