



Phoenix, Arizona

FINANCIAL STATEMENTS

Nine Months Ended March 31, 2015







HENRY & HORNE, LLP  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
The Crisis Nursery, Inc.  
Phoenix, Arizona

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

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## Opinion

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

Henry + Home, LLP

Tempe, Arizona  
July 8, 2015

THE CRISIS NURSERY, INC.  
STATEMENT OF FINANCIAL POSITION  
March 31, 2015

ASSETS	
Cash and cash equivalents	\$ 1,175,423
Accounts receivable	240,759
Promises to give, current portion, net	105,984
Grants receivable	847,040
Supplies inventory	245,612
Prepaid expenses and other assets	<u>43,664</u>
TOTAL CURRENT ASSETS	2,658,482
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises	155,817
BENEFICIAL INTEREST IN TRUSTS	93,076
INVESTMENTS HELD BY THE CRISIS NURSERY FOUNDATION	179,142
PROPERTY AND EQUIPMENT, net	<u>2,154,866</u>
TOTAL ASSETS	<u>\$ 5,241,383</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 112,497
Accrued expenses	335,996
Deferred revenue	<u>27,230</u>
TOTAL CURRENT LIABILITIES	<u>475,723</u>
NET ASSETS	
Unrestricted	3,502,944
Temporarily restricted	<u>1,262,716</u>
TOTAL NET ASSETS	<u>4,765,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,241,383</u>

See accompanying notes.



THE CRISIS NURSERY, INC.  
STATEMENT OF ACTIVITIES  
Nine Months Ended March 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, SUPPORT AND OTHER INCOME			
Contributions	\$ 698,393	\$ 144,240	\$ 842,633
Special events contributions	682,462	-	682,462
In-kind childcare supplies	318,529	-	318,529
In-kind software	-	572,040	572,040
Contract revenue	2,933,128	-	2,933,128
Grants revenue	351,540	-	351,540
Other income	10,004	-	10,004
Change in value of beneficial interest in trust	(3,987)	1,791	(2,196)
Investment return	4,969	-	4,969
Net assets released from restrictions	414,317	(414,317)	-
	<u>5,409,355</u>	<u>303,754</u>	<u>5,713,109</u>
Special events income	132,604	-	132,604
Direct benefit to donors	(59,902)	-	(59,902)
	<u>5,409,355</u>	<u>303,754</u>	<u>5,713,109</u>
TOTAL REVENUES, SUPPORT AND OTHER INCOME	<u>5,409,355</u>	<u>303,754</u>	<u>5,713,109</u>
EXPENSES AND LOSSES			
Program services	<u>4,187,073</u>	<u>-</u>	<u>4,187,073</u>
Supporting services			
Management and general	529,432	-	529,432
Fundraising	452,473	-	452,473
	<u>981,905</u>	<u>-</u>	<u>981,905</u>
Total supporting services	<u>981,905</u>	<u>-</u>	<u>981,905</u>
TOTAL EXPENSES BEFORE PROVISION FOR PROMISES TO GIVE	5,168,978	-	5,168,978
Promises to give write-off	<u>26,060</u>	<u>-</u>	<u>26,060</u>
TOTAL EXPENSES AND LOSSES	<u>5,195,038</u>	<u>-</u>	<u>5,195,038</u>
CHANGE IN NET ASSETS	214,317	303,754	518,071
NET ASSETS, BEGINNING OF PERIOD	<u>3,288,627</u>	<u>958,962</u>	<u>4,247,589</u>
NET ASSETS, END OF PERIOD	<u>\$ 3,502,944</u>	<u>\$ 1,262,716</u>	<u>\$ 4,765,660</u>

THE CRISIS NURSERY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
Nine Months Ended March 31, 2015

	Program Services				Total Program Services
	Children's Shelter	FACES	Family Foster Care	Family Support	
Salaries and wages	\$ 1,102,197	\$ 1,092,093	\$ 324,281	\$ 81,233	\$ 2,599,804
Payroll taxes and employee benefits	263,438	278,146	70,867	17,720	630,171
Training, conferences and travel	3,022	32,762	289	146	36,219
Program supplies	29,442	31,936	6,977	852	69,207
Office and janitorial supplies	13,795	17,029	1,022	41	31,887
Printing and postage	21	11	441	40	513
Equipment and software	31,733	18,650	6,329	1,066	57,778
IT consulting	12,002	9,721	2,112	247	24,082
In-kind childcare supplies	67,469	42,183	41,051	794	151,497
Marketing and design	-	-	-	7,968	7,968
Insurance	21,923	20,450	1,984	-	44,357
Other	10,660	8,887	42,979	341	62,867
Repairs and maintenance	38,872	33,841	854	-	73,567
Food and medications	77,443	53,360	353	3,503	134,659
Telephone and utilities	50,294	43,235	6,780	719	101,028
Transportation	7,128	1,650	15,336	-	24,114
Banking fees	-	135	-	-	135
Special event expenses - food and venue	-	-	-	-	-
Depreciation	66,798	64,707	1,582	633	133,720
Professional services	-	3,500	-	-	3,500
<b>Total operating expenses</b>	<b>1,796,237</b>	<b>1,752,296</b>	<b>523,237</b>	<b>115,303</b>	<b>4,187,073</b>
Direct benefit to donors: Food and entertainment expenses	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$ 1,796,237</b>	<b>\$ 1,752,296</b>	<b>\$ 523,237</b>	<b>\$ 115,303</b>	<b>\$ 4,187,073</b>



<u>Management and General</u>	<u>Fundraising Activities</u>	<u>Total</u>
\$ 295,304	\$ 218,527	\$ 3,113,635
63,857	46,837	740,865
615	3,587	40,421
-	-	69,207
13,821	1,943	47,651
830	6,960	8,303
8,348	2,234	68,360
10,672	4,622	39,376
-	-	151,497
-	17,429	25,397
7,274	1,984	53,615
1,329	4,268	68,464
7,914	854	82,335
-	-	134,659
10,564	4,197	115,789
3,826	150	28,090
3,911	20,477	24,523
-	116,822	116,822
10,182	1,582	145,484
90,985	-	94,485
529,432	452,473	5,168,978
-	-	59,902
<u>\$ 529,432</u>	<u>\$ 452,473</u>	<u>\$ 5,228,880</u>

THE CRISIS NURSERY, INC.  
STATEMENT OF CASH FLOWS  
Nine Months Ended March 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 518,071
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	145,484
Loss on disposal of property and equipment	4,978
Change in donated supplies inventory	(59,691)
Donated software	(631,000)
Provision for uncollectible promises to give	(2,423)
Promises to give discount	4,943
(Increase) decrease in value of beneficial interest in lead trust	2,196
Unrealized gain on investments held by the Foundation	(4,970)
Decrease (increase) in:	
Accounts receivable	52,124
Promises to give	(13,308)
Grants receivable	285,000
Prepaid expenses and other assets	56,807
Beneficial interest in trusts	2,500
Increase in:	
Accounts payable	48,961
Accrued expenses	111,723
Deferred revenue	27,230
	<u>548,625</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>548,625</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(116,730)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(116,730)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	431,895
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>743,528</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 1,175,423</u></u>

See accompanying notes.

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

Organization

The Crisis Nursery, Inc. (CNI) is an Arizona not-for-profit corporation formed in October 1976. The primary mission of CNI is breaking the cycle of child abuse and neglect by providing shelter care, childcare and support services for children and families needing such services located in the Phoenix, Arizona area. These services are provided in two primary locations, the Shelter (short-term residential services) and The Virginia G. Piper Child and Family Center (Piper Center) (childcare and family support services). CNI utilizes both paid employees and volunteer staff.

CNI is related to The Crisis Nursery Foundation (Foundation), a supporting organization to CNI, by three common board members as of March 31, 2015. CNI does not exercise control over the Foundation, and the accounts of the Foundation are not included in the accompanying financial statements of CNI. The Foundation benefits CNI and may benefit other charitable organizations.

CNI provides several programs to further its mission of breaking the cycle of child abuse and neglect, including but not limited to the following:

Children's Shelter – Short-term residential and day respite care and comprehensive clinical services are provided to children placed voluntarily by parents due to family crises or placed by Child Protective Services due to abuse or neglect. Nearly 300 children are served by this program each year.

FACES (Families and Children Experiencing Success) – Family support and developmental early childhood education services target pregnant women and families with infants, toddlers and preschoolers with multiple risk factors present. As an Early Head Start grantee and a 5 Star Quality First early childhood education center, FACES serves over 165 children and families each year through either a home-based or center-based model of intervention.

Family Foster Care – Under contracts with the Arizona Department of Economic Security and the Gila River Indian Community, CNI recruits, trains, supervises and supports family foster homes that care for children ages birth to 17 who have been removed from their birth families due to abuse or neglect. More than 200 children are cared for by our foster families every year.

Family Support – CNI is one of seven organizations who collaborate to provide Family Support Coordination Services to families in Central Phoenix facing complex and multiple needs. The collaborative serves more than 1,100 families every year.

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

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

Basis of Presentation

The financial statements of CNI 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, CNI considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents.

Accounts Receivable

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

Promises to Give and Grants Receivable

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

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

Contributed Supplies Inventory

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

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 CNI has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

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

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

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

Fair Value Measurements (Continued)

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.

Beneficial Interest in Trusts

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

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

Investments Held by The Crisis Nursery Foundation

During the year ended June 30, 2012, CNI transferred \$125,000 to the Foundation for the purpose of including the amount in the Foundation's investment pool. CNI specified that the Foundation is to distribute the funds to CNI as it requests the funds. The Foundation has no variance power over the funds. The Foundation has recognized the \$125,000, plus a proportional amount of investment return, as investments held on behalf of CNI. During the nine months ended March 31, 2015, CNI shared proportionately in the investment return on the entire investment portfolio held by the Foundation.

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

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

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

Property and Equipment

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

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

Impairment of Long-Lived Assets

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

Revenue Recognition

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

Contributions

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

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

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

Functional Allocation of Expenses

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

Income Tax Status

CNI 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.

CNI 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 March 31, 2015, CNI had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

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

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

Management's Use of Estimates

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

Date of Management's Review

In preparing these financial statements, CNI has evaluated events and transactions for potential recognition or disclosure through July 8, 2015, the date the financial statements were available to be issued.



THE CRISIS NURSERY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2015

NOTE 2 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES

Financial instruments that subject CNI to potential concentrations of credit risk consist principally of cash and cash equivalents, accounts receivable, and grants receivable. CNI maintains its cash in bank accounts with financial institutions which at times may exceed federally insured limits. As of March 31, 2015, CNI's bank balances exceeded federally insured limits by approximately \$917,000. CNI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

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

	<u>Accounts Receivable</u>	<u>%</u>	<u>Revenue</u>	<u>%</u>
Arizona Department of Economic Security	\$ 133,164	55%	\$ 1,330,488	45%
US Department of Health & Human Services - Early Head Start	30,073	12%	932,718	32%
Other	<u>77,522</u>	<u>32%</u>	<u>669,922</u>	<u>23%</u>
	<u>\$ 240,759</u>	<u>100%</u>	<u>\$ 2,933,128</u>	<u>100%</u>

Grants receivable include \$275,000 from a foundation and \$572,040 from a corporation, which together represent 100% of total grants receivable at March 31, 2015. Concentrations of credit risk with respect to grants receivable are limited due to the nature of the receivables and the collection history of these types of accounts. CNI requires no collateral on its accounts receivable, grants receivable and promises to give.

THE CRISIS NURSERY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 March 31, 2015

NOTE 3 PROMISES TO GIVE

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

Receivable in less than one year	\$ 105,984
Receivable in two to five years	218,220
Receivable in years thereafter	<u>14,193</u>
Total promises to give	338,397
Discount to present value	(13,936)
Allowance for uncollectible promises	<u>(62,660)</u>
Net promises to give	261,801
Current portion	<u>(105,984)</u>
Non-current portion	<u><u>\$ 155,817</u></u>

The estimated cash flows for promises to give were discounted over the collection period using a discount range of .76% to 1.76% as determined by management.

NOTE 4 BENEFICIAL INTEREST IN TRUSTS

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

CNI is also a beneficiary of the remainder interest of two charitable remainder unitrust funds, which are held by third party trustees. The trustees make distributions to the income beneficiaries based upon the terms of the trust agreement with the donors. Under the agreements, CNI is to receive the remainder of the trust assets upon the death of the donors. CNI has recorded its beneficial interest in these trust funds at the net present value of the estimated future amounts to be received using a discount rate of 5.25%. The present value of the beneficial interest in charitable remainder trusts of \$91,826 at March 31, 2015 has been included in Beneficial Interest in Trusts on the statement of financial position.

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

NOTE 5 FAIR VALUE MEASUREMENTS

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets measured at fair value on a recurring basis:				
Investments held by the Foundation	\$ -	\$ 179,142	\$ -	\$ 179,142
Beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>93,076</u>	<u>93,076</u>
Total fair value of financial instruments	<u>\$ -</u>	<u>\$ 179,142</u>	<u>\$ 93,076</u>	<u>\$ 272,218</u>

Investments held by the Foundation are valued based on observable inputs, which include the fair value of the underlying assets held and the Organization's percentage interest in those investments (Level 2). Beneficial interest in trusts are valued based on expected future cash flows discounted to present value.

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

	<u>Beneficial Interest in Trusts</u>
Balance, June 30, 2014	\$ 97,772
Cash distributions	(2,500)
Change in value	<u>(2,196)</u>
Balance, March 31, 2015	<u>\$ 93,076</u>

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
March 31, 2015

NOTE 6 PROPERTY AND EQUIPMENT

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

Land	\$ 190,998
Building and improvements	4,001,276
Furniture, equipment and vehicles	<u>984,531</u>
	5,176,805
Accumulated depreciation and amortization	<u>(3,021,939)</u>
	<u>\$ 2,154,866</u>

Depreciation expense was \$145,484 for the nine months ended March 31, 2015.

NOTE 7 RESTRICTED NET ASSETS

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

Promises to give	\$ 322,600
Grants receivable	847,040
Beneficial interest in trusts	<u>93,076</u>
Total temporarily restricted net assets	<u>\$ 1,262,716</u>

During the nine months ended March 31, 2015, the net assets released from restriction were primarily due to the passage of time.

THE CRISIS NURSERY, INC.  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 8 OPERATING LEASES

In August 2011, the Organization entered into a lease agreement for copier equipment, expiring in July 2016. Minimum future rental payments under this non-cancelable operating lease are as follows:

12 Months Ending March 31.

2016	\$	33,792
2017		<u>11,264</u>
	\$	<u>45,056</u>

Lease expense was \$25,344 for the nine months ended March 31, 2015.

NOTE 9 401(K) PLAN

CNI maintains a 401(k) plan (Plan) for the benefit of its employees. Under the terms of the Plan, CNI may make annual contributions in amounts determined by its Board of Directors. Employer contributions during the nine months ended March 31, 2015 amounted to \$126,549.

NOTE 10 CONTINGENCIES

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

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NOTE 11 SUBSEQUENT EVENT

During the nine months ended March 31, 2015, the boards of directors of CNI and Child Crisis Center (“CCC”) announced their intent to merge entities and operations. Both organizations have similar programs and missions with a long history of collaboration. CNI and CCC believed that the merged entity could leverage the strengths of both organizations to create a new agency that is committed to improve outcomes, increase operational efficiencies and provide a stronger voice for vulnerable children and families throughout Phoenix. The merger was completed on April 1, 2015, with CCC merging with and into CNI, and CNI continuing as the surviving 501(c)(3) entity. Accordingly, CNI assumed all the assets, obligations, and liabilities of CCC on April 1, 2015.