Financial Reports

Child Crisis Arizona

Safe kids. Strong families.

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

Henry+Horne

CHILD CRISIS ARIZONA
TABLE OF CONTENTS

Henry+Horne
Offering You More

INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Arizona
Mesa, Arizona

We have audited the accompanying financial statements of Child Crisis Arizona (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona as of December 31, 2019 and 2018, 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 + Horne, LLP

Tempe, Arizona
April 21, 2020

CHILD CRISIS ARIZONA
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018 (Restated)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 2,738,661	$ 4,780,678
Accounts receivable	1,539,225	832,539
Due from affiliate	-	196,575
Promises to give, current portion, net of allowance of $57,700 and $43,050	326,763	243,927
Grants receivable	259,685	25,000
Supplies inventory	150,396	143,556
Prepaid expenses and other assets	182,014	356,086
TOTAL CURRENT ASSETS	5,196,744	6,578,361
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises of $214,695 and $160,467	564,921	370,426
BENEFICIAL INTEREST IN TRUST	78,309	60,384
INVESTMENTS		
Without donor restrictions	4,947,590	2,954,866
Deferred compensation plan	288,575	180,636
PROPERTY AND EQUIPMENT, net	9,886,518	8,659,265
ENDOWMENT HELD BY FOUNDATION	220,921	145,686
TOTAL ASSETS	$ 21,183,578	$ 18,949,624

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2019 and 2018 (Restated)

	2019	2018
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 232,126	$ 265,304
Accrued expenses	1,049,059	774,428
Due to affiliate	52,922	-
Deferred revenue	80,600	70,900
TOTAL CURRENT LIABILITIES	1,414,707	1,110,632
ACCRUED DEFERRED COMPENSATION	288,575	180,636
FORGIVABLE LOANS	550,000	550,000
TOTAL LIABILITIES	2,253,282	1,841,268
NET ASSETS		
Without donor restrictions:		
Undesignated	14,143,430	13,464,227
Board designated	220,921	145,686
	14,364,351	13,609,913
With donor restrictions	4,565,945	3,498,443
TOTAL NET ASSETS	18,930,296	17,108,356
TOTAL LIABILITIES AND NET ASSETS	$ 21,183,578	$ 18,949,624

CHILD CRISIS ARIZONA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018 (Restated)

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME						
Contributions and grants	$ 5,053,307	$ 1,473,716	$ 6,527,023	$ 5,527,883	$ 1,463,079	$ 6,990,962
Special events contributions and income, net	820,111	824,040	1,644,151	951,315	-	951,315
In-kind donated property, supplies and services	713,726	-	713,726	628,942	-	628,942
Contract revenue	10,117,381	-	10,117,381	8,434,471	-	8,434,471
Other income	57,047	-	57,047	76,880	-	76,880
Release from time restrictions	656,409	(656,409)	-	497,012	(497,012)	-
Release from time and purpose restrictions	591,770	(591,770)	-	77,603	(77,603)	-
	18,009,751	1,049,577	19,059,328	16,194,106	888,464	17,082,570
OPERATING EXPENSES						
Program services	13,734,417	-	13,734,417	11,583,587	-	11,583,587
Management and general	2,152,132	-	2,152,132	1,878,423	-	1,878,423
Fundraising	1,742,045	-	1,742,045	1,590,977	-	1,590,977
TOTAL OPERATING EXPENSES	17,628,594	-	17,628,594	15,052,987	-	15,052,987
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSES)	381,157	1,049,577	1,430,734	1,141,119	888,464	2,029,583
NON-OPERATING ACTIVITIES						
Investment return	492,654	17,925	510,579	(45,473)	(18,168)	(63,641)
Loss on retirement of fixed assets	(66,962)	-	(66,962)	-	-	-
Transfers to affiliate	(52,411)	-	(52,411)	(151,482)	-	(151,482)
TOTAL NON-OPERATING INCOME (EXPENSES)	373,281	17,925	391,206	(196,955)	(18,168)	(215,123)
CHANGE IN NET ASSETS	754,438	1,067,502	1,821,940	944,164	870,296	1,814,460
NET ASSETS, BEGINNING OF YEAR	13,609,913	3,498,443	17,108,356	12,665,749	2,628,147	15,293,896
NET ASSETS, END OF YEAR	$ 14,364,351	$ 4,565,945	$ 18,930,296	$ 13,609,913	$ 3,498,443	$ 17,108,356

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services							
	Prevention	Intervention	Early Education	Total Program Services	Management and General	Fundraising Activities	Direct Donor Benefit	Total
Salaries and wages	$ 249,267	$ 4,933,346	$ 2,358,790	$ 7,541,403	$ 1,290,348	$ 799,376	$ -	$ 9,631,127
Payroll taxes and benefits	65,582	1,137,864	703,523	1,906,969	316,171	213,308	-	2,436,448
Training and travel	1,204	43,740	81,722	126,666	14,750	63,764	-	205,180
Program supplies	225,823	733,782	491,696	1,451,301	-	-	-	1,451,301
Office and janitorial supplies	20,868	270,997	151,167	443,032	187,630	100,675	-	731,337
Marketing	4,638	14,601	358	19,597	100	106,058	-	125,755
Insurance	1,308	57,087	36,530	94,925	42,751	3,100	-	140,776
Repairs and maintenance	12,888	343,560	212,045	568,493	23,912	10,429	-	602,834
Telephone and utilities	6,652	192,653	114,543	313,848	27,217	19,815	-	360,880
Transportation	8,627	112,876	19,976	141,479	18,003	7,739	-	167,221
Banking fees	-	-	-	-	7,907	82,446	-	90,353
Professional services	6,666	128,963	66,934	202,563	145,193	11,738	-	359,494
Special event expenses	-	-	-	-	-	110,253	102,043	212,296
Building rent	7,350	34,650	-	42,000	-	-	-	42,000
Bad debt expense	-	-	-	-	-	164,454	-	164,454
Depreciation	8,915	291,247	340,005	640,167	54,624	28,152	-	722,943
Miscellaneous	2,207	205,338	34,429	241,974	23,526	20,738	-	286,238
	621,995	8,500,704	4,611,718	13,734,417	2,152,132	1,742,045	102,043	17,730,637
Special events venue and food	-	-	-	-	-	-	(102,043)	(102,043)
TOTAL EXPENSES	$ 621,995	$ 8,500,704	$ 4,611,718	$ 13,734,417	$ 2,152,132	$ 1,742,045	$ -	$ 17,628,594

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services							
	Prevention	Intervention	Early Education	Total Program Services	Management and General	Fundraising Activities	Direct Donor Benefit	Total
Salaries and wages	$ 579,544	$ 2,990,603	$ 2,346,058	$ 5,916,205	$ 1,106,698	$ 684,792	$ -	$ 7,707,695
Payroll taxes and benefits	189,499	846,540	717,252	1,753,291	314,822	215,218	-	2,283,331
Training and travel	5,952	29,078	89,593	124,623	15,156	56,856	-	196,635
Program supplies	200,639	697,295	423,722	1,321,656	-	917	-	1,322,573
Office and janitorial supplies	39,272	287,719	128,745	455,736	121,943	88,133	-	665,812
Marketing	600	413	30	1,043	59	86,487	-	87,589
Insurance	3,758	65,248	34,575	103,581	23,908	4,067	-	131,556
Repairs and maintenance	10,294	272,545	179,238	462,077	48,378	14,968	-	525,423
Telephone and utilities	19,595	187,348	106,384	313,327	38,144	24,370	-	375,841
Transportation	20,683	109,647	15,305	145,635	13,480	4,874	-	163,989
Banking fees	-	-	-	-	1,028	105,808	-	106,836
Professional services	16,029	99,095	73,284	188,408	76,246	24,409	-	289,063
Special event expenses	-	-	-	-	-	145,097	121,312	266,409
Building rent	18,304	42,000	-	60,304	-	-	-	60,304
Bad debt expense	-	-	-	-	-	74,627	-	74,627
Depreciation	12,662	336,641	332,982	682,285	64,202	34,014	-	780,501
Miscellaneous	1,406	34,056	19,954	55,416	54,359	26,340	-	136,115
	1,118,237	5,998,228	4,467,122	11,583,587	1,878,423	1,590,977	121,312	15,174,299
Special events venue and food	-	-	-	-	-	-	(121,312)	(121,312)
TOTAL EXPENSES	$ 1,118,237	$ 5,998,228	$ 4,467,122	$ 11,583,587	$ 1,878,423	$ 1,590,977	$ -	$ 15,052,987

CHILD CRISIS ARIZONA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding sources	$ 9,410,695	$ 8,688,596
Cash received from donors and grants	6,515,007	6,573,675
Cash received from special events	1,755,894	1,071,207
Miscellaneous receipts	106,977	76,548
Cash paid to employees	(9,356,496)	(7,431,838)
Cash paid for benefits and taxes	(2,436,448)	(2,283,331)
Cash paid to suppliers and vendors	(4,092,346)	(4,010,785)
Cash paid to affiliate	(378,149)	(23,628)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,525,134	2,660,444
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,000,000)	(4,505,943)
Proceeds from sale of investments	450,007	1,505,943
Purchases of property and equipment	(2,017,158)	(1,417,108)
NET CASH USED IN INVESTING ACTIVITIES	(3,567,151)	(4,417,108)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loans	-	387,000
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,042,017)	(1,369,664)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,780,678	6,150,342
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,738,661	$ 4,780,678
NON-CASH ACTIVITIES		
Donated services and facilities	$ 93,109	$ 109,645
Donated inventory items	531,973	336,210
Donated vehicle and other non-cash items	88,644	183,087
	$ 713,726	$ 628,942

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The primary mission of Child Crisis Arizona (CCA) is serving Arizona's children, providing a safe environment, free from abuse and neglect by creating strong and successful families. These services are provided in seven primary locations, utilizing both paid employees and volunteer staff.

CCA is related to Child Crisis Arizona Foundation (CCAF), a supporting organization to CCA, by three common board members as of December 31, 2019 and 2018. CCA does not exercise control over CCAF, and the accounts of CCAF are not included in the accompanying financial statements of CCA. CCAF benefits CCA and may benefit other charitable organizations.

CCA provides several programs to further its mission, including but not limited to the following:

Prevention Services – CCA makes efforts to prevent child abuse, neglect, or unintentional injury before it occurs through family education and home visitation programs. Family education offers free or very low-cost workshops, classes, support groups, legal clinics, activities and events designed to increase knowledge and skills to safely parent and care for youth. Home visitation is a free voluntary program for expectant parents and parents of newborns. This program offers regular home visits teaching parenting skills and helping parents prepare their children for successful school entry. The home visitation program contract terminated June 30, 2018.

Intervention Services – CCA provides care when child abuse or neglect has occurred through an emergency children's shelter, group home, foster care and adoption, family preservation, counseling, and refugee resettlement programs. The emergency children's shelter is a licensed emergency care facility for children ages birth to 10-years offering head-to-toe care 24/7/365 providing children safety and a path to recovery. The group home offers the same level of care for adolescent boys ages 10-17 years in a smaller residential setting. The foster care and adoption program recruits, trains, licenses or certifies families with the desire to grow their families through the provision of foster care or adoption and supporting those created families. The family preservation intervention program provides services through a series of home visits to strengthen families, keep children safe at home, and address any challenges families may be facing. The family preservation program contract terminated effective July 31, 2019. CCA's counseling program is a licensed provider of behavioral health services for children ages birth to 17-years, specializing in the issues related to foster care and adoption, to create strong, stable families. The refugee resettlement program provides shelter to unaccompanied minor children entering the United States and unites them with family members anticipating their arrival. The refugee resettlement program contract became effective on February 1, 2019.

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

Organization (Continued)

Early Education Services – CCA has a long-term view of improving the community through Early Head Start and Preschool programs. Early Head Start offers quality early childhood education for children ages birth to 3-years from Phoenix and Mesa families living at or below 100% of the federal poverty level offered through both center-based and home-based delivery models. Preschool is for low income families with children ages 3-5 years, working to prepare children for successful kindergarten entry. Programs support families in finding resources to fill their needs. Both Phoenix and Mesa Early Education Centers achieved a 5-star rating, the highest possible, from Quality First/First Things First

Basis of Presentation

The financial statements of CCA 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 statements of cash flows, CCA considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents. Cash held in accounts with stock brokerage firms are reported as investments as they represent accounts used for the purchases and sales of investments and are excluded from this definition.

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. CCA 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 December 31, 2019 and 2018 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

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

Promises to Give and Grants Receivable

Unconditional promises to give and certain 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. 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, CCA records a specific reserve to reduce the amounts recorded to what it believes will be collected. Additionally, CCA 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. Conditional promises to give are recognized when the specified barriers are overcome. Grants receivable at December 31, 2019 and 2018 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Contributed Supplies Inventory

CCA 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 CCA 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;

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

Fair Value Measurements (Continued)

- 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 CCA'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.

Beneficial Interest in Trusts

CCA has an interest in an irrevocable charitable remainder unitrust. Assets received under charitable remainder unitrust agreements are recorded at fair value on the date the agreement is recognized, which CCA 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 CCA.

Investments

Investments are recorded at fair value or net asset value in the statements of financial position. Investment return or loss is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

CCA periodically transfers funds to CCAF to include in CCAF's investment pool. Under this arrangement, CCA specifies that CCAF is to distribute the funds to CCA as it requests the funds. CCAF has no variance power over the funds. CCA shares proportionately in the investment return on the entire investment portfolio held by CCAF.

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

Investments (Continued)

The endowment held by CCAF is valued at fair market value based on the underlying assets included in CCAF's investment pool. Investments held for deferred compensation are valued at net asset value.

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

CCA 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.

Endowment Funds

CCA's endowment fund consist of a fund designated by the Board to function as an endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

CCA follows Arizona's Management of Charitable Funds Act (MCFA) and its own governing documents. MCFA requires the preservation of endowment funds. When a donor's intent is not expressed, MCFA directs the Organization to spend an amount that is prudent, consistent with the purposes of the fund, relevant economic factors and the donor's intent that the fund continue in perpetuity.

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

Endowment Funds (Continued)

CCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund also includes accumulated earnings in the fund that are also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by CCA in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, CCA considers the following factors in making a determination to appropriate or accumulate board designated and donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the board designated and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) CCA's other resources, and (7) CCA's investment policies.

The Board had designated certain net assets without donor restrictions as general endowment funds to support the mission of CCA. Since these amounts resulted from an internal designation and are not donor-restricted, they are classified and reported as board designated net assets without donor restrictions. CCA's policy is to maintain the board designated net assets without restrictions balance at the investment account balance (held by CCAF) until the Board approves spending from the funds.

Investment Return Objectives, Risk Parameters and Strategies. CCA has adopted investment and spending policies, approved by the Board, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution while growing the funds if possible.

Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy. For any donor restricted endowment funds, CCA's policy is to appropriate a certain amount for distribution each year once the fund reaches $2,000,000, at such time the target distribution will be 5% per year. In establishing this policy, CCA considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation.

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

Revenue Recognition and Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to funding sources in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2018. CCA adopted ASC 606 with a date of the initial application of January 1, 2019.

The majority of the CCA's revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on CCA's evaluation of its contracts with funding sources the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Earned revenues where performance obligations are satisfied at a point in time consist primarily of shelter and foster care days of care and number of completed cases for family preservation. The family preservation contract with DCS represents approximately $450,000 of total contract revenue and has multiple performance obligations that are identified in the contract. CCA recognizes revenue over time, as each performance obligation is met based on time and effort incurred by CCA personnel. Amounts are billed as each performance obligation is completed. Amounts billed for these services are considered past due at 30 days after invoices are submitted. Contract assets include the accounts receivable balance as of December 31, 2019 and 2018.

Contributions

In June 2018, the FASB issued ASU No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made by clarifying whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional or unconditional. The change in accounting principle was adopted on a modified prospective basis on January 1, 2019. As a result, there was no cumulative-effect adjustment to beginning net assets as of January 1, 2019.

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

Contributions (Continued)

Contributions received are recorded as either support with donor restrictions or as support without donor restrictions, depending on the existence and/or nature of any donor imposed restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. It is CCA's policy to classify donor restricted contributions as support without donor restrictions to the extent that donor restrictions were met in the year the contribution was received. CCA has several cost reimbursement contracts with federal and state agencies such as Early Head Start, the Office of Refugee Resettlement (ORR), Victims of Crime Act (VOCA), and First Things First. CCA has determined that these contracts are conditional contributions and therefore revenue is recognized when the condition is met, which is as costs are incurred.

Donated Services and Use of Facilities

Donated services are recorded at their estimated fair value if they enhance CCA's nonfinancial assets or require specialized skills that CCA would normally purchase if not provided by donation. No amounts have been reflected in the financial statements for certain donated volunteer services because they did not qualify for recording under the generally accepted accounting principle guidelines. Donated use of facilities is recorded at the estimated fair value.

Net Assets

CCA reports information regarding its financial position and activities according to two classes of net assets as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor or grantor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Gifts of long-lived assets and gifts of cash restricted for acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

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

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program services and supporting services. Payroll expenses for certain employee positions and other expenses such as food and other program supplies are allocated based on the ratio of clients served. Other expenses, including information technology, professional service fees and travel are allocated based on employee count by program. Occupancy, depreciation, insurance and other related expenses are allocated based on square footage utilized by the program.

Income Tax Status

CCA 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.

CCA recognizes uncertain tax positions 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 December 31, 2019 and 2018, CCA had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

CCA recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2019 and 2018, CCA did not have any income tax related interest and penalty expense.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to conform to the 2019 format. These reclassifications had no effect on net assets or the change in net assets.

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.

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

Date of Management's Review

In preparing these financial statements, CCA has evaluated events and transactions for potential recognition or disclosure through April 21, 2020, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

CCA regularly monitors liquidity required to meet its operating needs and other contractual commitments and has the goal of maintaining liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in mutual funds. These mutual funds can be liquidated at any time and used for general expenditures. For purposes of analyzing resources available to meet general expenditures over a 12-month period, CCA considers all expenditures of its ongoing programmatic activities as well as the conduct of fundraising, management and general activities undertaken to support those activities to be general expenditures.

CCA operates with a balanced budget and anticipates collecting sufficient revenue through contractual and philanthropic sources to cover general expenditures not covered by donor-restricted resources. CCA excludes assets with donor restrictions and assets expected to be realized longer than one year from the statement of financial position date when determining its financial assets available for general expenditures.

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

As of December 31, the following table shows the total financial assets held by CCA and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures obligations.

	2019	2018
Financial assets at year-end		
Cash and cash equivalents	$ 2,738,661	$ 4,780,678
Accounts receivable	1,539,225	832,539
Promises to give, net	891,684	614,353
Grants receivable	259,685	25,000
Foundation contribution receivable, net	-	196,575
Beneficial interests in trusts	78,309	60,384
Investments in mutual funds, at market value	4,947,590	2,954,866
Investments in deferred compensation plan	288,575	180,636
Endowment fund held by Foundation	220,921	145,686
Total financial assets	10,964,650	9,790,717
Adjustments		
Cash - with donor restictions	(2,043,536)	(1,560,507)
Promises to give > 1 year	(564,921)	(370,426)
Beneficial interest in trusts	(78,309)	(60,384)
Investments in deferred compensation plan	(288,575)	(180,636)
Endowment fund held by Foundation	(220,921)	(145,686)
Financial assets available for general expenditures	$ 7,768,388	$ 7,473,078

NOTE 3 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES

Financial instruments that subject CCA to potential concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. CCA maintains its cash in bank accounts with financial institutions, which at times may exceed federally insured limits. CCA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 3 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES (Continued)

CCA has a concentration of income sources, mainly from certain agencies. The mix of gross accounts receivable and revenue from various contract sources at December 31, 2019, and for the year ended December 31, 2019, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 316,955	21%	$ 2,427,890	24%
Early Head Start	340,587	22%	3,029,164	30%
Office of Refugee Resettlement	395,506	26%	2,346,258	23%
Gila River Indian Community	309,582	20%	862,999	9%
Other	176,595	11%	1,451,070	14%
	$ 1,539,225	100%	$ 10,117,381	100%

The mix of gross accounts receivable and revenue from various contract sources at December 31, 2018, and for the year ended December 31, 2018, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 437,784	53%	$ 2,468,739	29%
First Things First	17,024	2%	916,621	11%
VOCA	71,671	9%	849,607	10%
Early Head Start	220,677	27%	3,108,613	37%
Other	85,383	9%	1,090,891	13%
	$ 832,539	100%	$ 8,434,471	100%

Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the receivables and the collection history of these types of accounts. CCA requires no collateral on its accounts receivable and promises to give.

NOTE 4 PROMISES TO GIVE

Promises to give consist of the following at December 31:

	2019	2018
Receivable in less than one year	$ 384,463	$ 286,977
Receivable in two to five years	731,930	508,993
Receivable thereafter	47,686	21,900
Total promises to give	1,164,079	817,870
Discount to present value	(51,295)	(45,767)
Allowance for uncollectible promises	(221,100)	(157,750)
Net promises to give	891,684	614,353
Current portion	(326,763)	(243,927)
Non-current portion	$ 564,921	$ 370,426

The estimated cash flows for promises to give were discounted over the collection period using a discount range of 1.17% to 2.96% as determined by management.

NOTE 5 BENEFICIAL INTEREST IN TRUST

CCA is a beneficiary of a remainder interest in a charitable remainder unitrust, which is held by a third-party trustee. The trustee makes distributions to the income beneficiaries based upon the terms of the trust agreement with the donors. Under the agreement, CCA is to receive the remainder of the trust assets upon the death of the donor. CCA has recorded its beneficial interest in this trust at the net present value of the estimated future amounts to be received using a discount rate of 5.25%. The remaining beneficial interest in the charitable remainder trust is recorded on the statements of financial position at present value.

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the statements of financial position as determined by quoted market prices in active markets (Level 1) and investments held as an endowment with CCAF are valued based on the underlying value of the investments in CCAF’s investment pool. Beneficial interest in trusts are valued based on expected future cash flows discounted to present value.

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following is a summary of financial instruments measured at fair value on a recurring basis at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Unresticted investments:				
Mutual funds	$ 4,947,590	$ -	$ -	$ 4,947,590
Deferred compensation plan investments:				
Mutual funds	$ 288,575	$ -	$ -	$ 288,575
Endowment held by CCAF	$ -	$ 220,921	$ -	$ 220,921
Beneficial interest in trust	$ -	$ -	$ 78,309	$ 78,309

The following is a summary of financial instruments measured at fair value on a recurring basis at December 31, 2018:

	Level 1	Level 2	Level 3	Total
Unresticted investments:				
Money market funds	$ 7	$ -	$ -	$ 7
Mutual funds	2,954,859	-	-	2,954,859
	$ 2,954,866	$ -	$ -	$ 2,954,866
Deferred compensation plan investments:				
Mutual funds	$ 180,636	$ -	$ -	$ 180,636
Endowment held by CCAF	$ -	$ 145,686	$ -	$ 145,686
Beneficial interest in trust	$ -	$ -	$ 60,384	$ 60,384

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment return is summarized as follows for the years ended December 31:

	2019	2018
Interest and dividends	$ 151,453	$ 61,586
Realized gain/(loss)	1,908	(109)
Unrealized gain/(loss)	339,293	(106,950)
Change in value of beneficial interest in trust	17,925	(18,168)
Investment return	$ 510,579	$ (63,641)

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 years ended December 31, 2019 and 2018:

	Beneficial Interest in Trusts
December 31, 2017	$ 78,552
Change in value	(18,168)
December 31, 2018	60,384
Change in value	17,925
December 31, 2019	$ 78,309

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2019	2018
Land	$ 1,065,124	$ 912,867
Building and improvements	12,440,693	11,365,198
Furniture, equipment and vehicles	2,056,121	2,014,951
Computers and software	803,806	803,806
	16,365,744	15,096,822
Accumulated depreciation	(7,225,744)	(7,068,341)
	9,140,000	8,028,481
Construction in progress	746,518	630,784
	$ 9,886,518	$ 8,659,265

Depreciation expense was approximately $723,000 and $781,000 for the years ended December 31, 2019 and 2018, respectively. Construction in progress consists of various renovations to facilities that were not yet placed in service as of December 31, 2019 and 2018.

NOTE 8 FORGIVABLE LOANS

Forgivable loans consist of the following at December 31:

	2019	2018
Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2021 in accordance with the CDBG loan agreement. The loan is secured by the building upon which the building improvements have been performed.	$ 79,000	$ 79,000
Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2022 in accordance with the CDBG loan agreement. The loan is secured by the building upon which the building improvements have been performed.	84,000	84,000
Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2024 in accordance with the CDBG loan agreement. The loan is secured by the building upon which the building improvements have been performed.	87,000	87,000
Community Development Block Grant note payable to the City of Mesa (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven after six years, maturing in 2024, in accordance with the CDBG loan agreement. The loan is secured by a deed of trust on the property.	300,000	300,000
	$ 550,000	$ 550,000

NOTE 8 FORGIVABLE LOANS (Continued)

In accordance with the terms of the CDBG loans, CCA must use the funds for the purpose of making building improvements to provide services to low and moderate income persons. The properties with these improvements must be devoted primarily to this purpose for varying periods up to ten years, beginning in 2016. If the property use is changed or the properties are sold or vacated in less than the ten years, CCA will immediately become liable for the balance of the loans.

NOTE 9 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as of December 31 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 220,921	$ -	$ 220,921

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 145,686	$ -	$ 145,686

Changes in endowment funds for the years ended December 31, 2019 and 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2017	$ -	$ -	$ -
Board designations	145,686	-	145,686
Endowment funds, December 31, 2018	145,686	-	145,686
Board designations	52,411	-	52,411
Change in value	22,824	-	22,824
Endowment funds, December 31, 2019	$ 220,921	$ -	$ 220,921

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31:

	2019	2018 (Restated)
Time restricted:		
Promises to give	$ 817,556	$ 597,725
Grant receivable	10,000	5,000
Contributions	-	47,200
Beneficial interest in trusts	78,309	60,384
Time and purpose restricted:		
Mesa shelter building - to utilize as a child care center	1,626,543	1,683,313
Campus expansion	1,356,920	525,305
Early education services	476,000	25,000
Mesa Preschool	-	460,000
Family education	75,000	75,000
Emergency shelter and family	44,685	-
Emergency childrens placement	13,750	-
Other	67,182	19,516
Total net assets with donor restrictions	$ 4,565,945	$ 3,498,443

NOTE 11 SPECIAL EVENTS

Special events contributions and income consist of the following at December 31:

	2019	2018
Special events contributions	$ 1,559,757	$ 851,886
Special events income	186,437	220,741
Direct benefit to donors	(102,043)	(121,312)
	$ 1,644,151	$ 951,315

NOTE 12 DONATED SERVICES AND USE OF FACILITIES

Donated services and use of facilities for the year ended December 31, 2019 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	$ 46,390	$ 3,530	$ 1,189	$ 51,109
Use of facilities	42,000	-	-	42,000
	$ 88,390	$ 3,530	$ 1,189	$ 93,109

Donated services and use of facilities for the year ended December 31, 2018 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	$ 38,212	$ 11,666	$ 17,767	$ 67,645
Use of facilities	42,000	-	-	42,000
	$ 80,212	$ 11,666	$ 17,767	$ 109,645

NOTE 13 OPERATING LEASES

CCA has lease agreements for buildings and equipment, expiring through December 2023. Minimum future rental payments under these non-cancelable operating leases are as follows:

Years Ending December 31,	
2020	$ 91,000
2021	56,000
2022	20,000
2023	12,000
	$ 179,000

Lease expense was approximately $203,000 and $213,000, respectively, for the years ended December 31, 2019 and 2018. This amount includes donated use of facilities valued at $42,000 for each of the years ended December 31, 2019 and 2018.

NOTE 14 RETIREMENT PLANS

CCA sponsors a 401(k) retirement plan ("the Plan") for the benefit of its eligible employees. Under the terms of the Plan, employees may make voluntary contributions, subject to Internal Revenue Service limitations. CCA may make annual discretionary contributions to the Plan. CCA made employer contributions of approximately $510,000 and $446,000 during the years ended December 31, 2019 and 2018, respectively.

CCA also has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457 of the Internal Revenue Code. CCA holds investments for the sole purpose of funding deferred compensation liabilities. According to the terms of the deferred compensation agreement, all earnings or losses on the deferred compensation amounts to be invested will be allocated directly to the participant in the plan and are recorded to the deferred compensation liability. The deferred compensation plan assets in the amount of $288,575 and $180,636 as of December 31, 2019 and 2018, respectively, are included in investments on the accompanying statements of financial position. During the years ended December 31, 2019 and 2018, CCA made employer contributions to the deferred compensation plan in the amount of approximately $76,000 and $83,000, respectively.

NOTE 15 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2019 and 2018, CCA paid for operating expenses of CCAF amounting to $25,334 and $23,628, respectively. Also during the years ended December 31, 2019 and 2018, CCA transferred various funds and contributions to CCAF amounting to $52,411 and $151,482, respectively, recorded as a transfer to affiliate on the accompanying statements of activities.

The balance in due from (to) CCAF includes the following at December 31:

	2019	2018
Operating expenses	$ (511)	$ (12,053)
CCA endowment	(52,411)	(145,686)
CCA transfer to Foundation	-	(145,686)
Foundation donation to CCA	-	500,000
	$ (52,922)	$ 196,575

NOTE 16 CONTINGENCIES

CCA participates in a number of federal and state-assisted grant and contract programs which are subject to financial and compliance audits. Accordingly, CCA'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 CCA's management expects such amounts, if any, to be immaterial.

NOTE 17 RESTATEMENT

During the year ended December 31, 2019 management discovered that beginning and ending net assets with donor restrictions for the year ended December 31, 2018 were overstated and net assets without donor restrictions were understated in the amount of $250,000 and $310,500 respectively, for contributions received from donor advised funds that should not have been recorded as restricted. As a result, the net asset balances for the years ended December 31, 2018 and 2017 have been restated on the accompanying financial statements. This restatement has no impact on the change in net assets for the years ended December 31, 2019 and 2018.

The effect of this restatement on the December 31, 2018 and 2017 balances are as follows:

	As previously reported	Restated	Difference
December 31, 2017:			
Net assets without donor restrictions	$ 12,415,749	$ 12,665,749	$ (250,000)
Net assets with donor restrictions	$ 2,878,147	$ 2,628,147	$ 250,000
December 31, 2018:			
Net assets without donor restrictions	$ 13,299,413	$ 13,609,913	$ (310,500)
Net assets with donor restrictions	$ 3,808,943	$ 3,498,443	$ 310,500

NOTE 18 SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risk to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

NOTE 18 SUBSEQUENT EVENTS (Continued)

The full impact of the COVID-19 outbreak continues to evolve as the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effect of the COVID-19 outbreak on its results of operations, financial conditions or liquidity for fiscal year 2020.

Subsequent to year end, CCA received loan proceeds in the amount of $2,196,200 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, provides for loans to qualifying businesses for amounts up to 2.5 times the average monthly payroll costs incurred during the year prior to the loan date of the qualifying business. The loan and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll costs, interest on mortgage obligations, rent, and utilities. The amount of the loan forgiveness will be reduced if the borrower reduces the number of employees or reduces salaries by more than 25% during the eight week period beginning on the loan origination date.

NOTE 19 NEW ACCOUNTING PRONOUNCEMENTS

The FASB has issued ASU No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2020. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.