

CHILD CRISIS ARIZONA FOUNDATION

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

CHILD CRISIS ARIZONA FOUNDATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Child Crisis Arizona Foundation
Mesa, Arizona

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona Foundation 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 23, 2020

CHILD CRISIS ARIZONA FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 As of December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Investments	\$ 11,415,120	\$ 10,013,043
Due from affiliate	<u>52,922</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 11,468,042</u></u>	<u><u>\$ 10,013,043</u></u>
LIABILITIES		
Due to affiliate	\$ -	\$ 196,575
Endowment held for Child Crisis Arizona	<u>220,921</u>	<u>145,686</u>
TOTAL LIABILITIES	<u>220,921</u>	<u>342,261</u>
NET ASSETS		
Without donor restrictions	<u>11,247,121</u>	<u>9,670,782</u>
TOTAL NET ASSETS	<u>11,247,121</u>	<u>9,670,782</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,468,042</u></u>	<u><u>\$ 10,013,043</u></u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE		
Interest, dividends and other	\$ 312,816	\$ 266,717
Realized gain/(loss) on sale of investments	334,154	(37,305)
Unrealized gain/(loss) on investments	<u>1,308,292</u>	<u>(711,327)</u>
TOTAL REVENUE/(LOSS)	<u>1,955,262</u>	<u>(481,915)</u>
EXPENSES		
Program expenses:		
Donations to Child Crisis Arizona	<u>406,000</u>	<u>500,000</u>
Management and general expenses:		
Professional fees	20,008	20,000
Insurance expense	<u>5,326</u>	<u>3,628</u>
	25,334	23,628
TOTAL EXPENSES	<u>431,334</u>	<u>523,628</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS FROM AFFILIATE	1,523,928	(1,005,543)
TRANSFERS FROM AFFILIATE	<u>52,411</u>	<u>151,482</u>
CHANGE IN NET ASSETS	1,576,339	(854,061)
NET ASSETS, BEGINNING OF YEAR	<u>9,670,782</u>	<u>10,524,843</u>
NET ASSETS, END OF YEAR	<u><u>\$ 11,247,121</u></u>	<u><u>\$ 9,670,782</u></u>

See accompanying notes.

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

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and dividends received	\$ 312,816	\$ 266,717
Cash received from affiliate	378,149	23,628
Cash paid to affiliate	(906,000)	-
Cash paid for professional fees and insurance	<u>(25,334)</u>	<u>(23,628)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(240,369)</u>	<u>266,717</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,935,631)	(1,112,211)
Proceeds from sale of investments	<u>2,176,000</u>	<u>845,494</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>240,369</u>	<u>(266,717)</u>
NET INCREASE (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>	<u><u>\$ -</u></u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

Organization

The principal purpose of Child Crisis Arizona Foundation (the Foundation) is to steward and manage investments in order to support the programs of Child Crisis Arizona (CCA). The Board of Directors of the Foundation and CCA had three common board members as of December 31, 2019 and 2018.

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.

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. |
|---------|---|

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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 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 or losses, less external investment expenses.

Endowment Held for Child Crisis Arizona

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

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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

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.

Net Assets

The Foundation 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.
- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. It is the Foundation's policy to classify donor restricted contributions as income without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Functional Allocation of Expenses

The cost of providing certain activities of the Foundation have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services. All of the Foundation's expenses are direct expenses.

Income Taxes

The Foundation 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.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

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

Income Taxes (Continued)

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

The Foundation recognizes interest and penalties associated with income taxes in operating expenses. During the years ended December 31, 2019 and 2018, 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.

Date of Management's Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 23, 2020, the date the financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and commitment to contribute to the support of CCA. Financial assets 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, the Foundation 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.

The Foundation's revenues are generated through investment income. As of December 31, 2019 and 2018, the Foundation's financial assets of \$11,247,121 and \$9,867,357, respectively, which represents its investments less endowment held for CCA, are available for general expenditures.

CHILD CRISIS ARIZONA FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2019 and 2018

NOTE 3 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 11,414,659	\$ -	\$ -	\$ 11,414,659
Money market	<u>461</u>	<u>-</u>	<u>-</u>	<u>461</u>
Total investments	<u>\$ 11,415,120</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,415,120</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds	\$ 10,012,602	\$ -	\$ -	\$ 10,012,602
Money market	<u>441</u>	<u>-</u>	<u>-</u>	<u>441</u>
Total investments	<u>\$ 10,013,043</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,013,043</u>

NOTE 4 ENDOWMENT HELD FOR CHILD CRISIS ARIZONA

During the year ended December 31, 2019, the net balance of \$52,922 due from CCA included a receivable amount of \$52,411 which CCA transferred to the Foundation subsequent to year-end. During the year ended December 31, 2018 the net balance of \$196,575 due to CCA included a receivable amount of \$145,686 which CCA transferred to the Foundation subsequent to year-end. The amounts were transferred by CCA in accordance with its board-designated endowment fund and windfall policies. A corresponding receivable was recorded by CCA for the endowment balance held by the Foundation on CCA's behalf.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation contributed \$406,000 and \$500,000 to CCA during the years ended December 31, 2019 and 2018, respectively. Also, during the years ended December 31, 2019 and 2018, CCA paid for operating expenses of the Foundation 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 the Foundation amounting to \$52,411 and \$151,482, respectively. The balance in due from (to) CCA includes the following at December 31:

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

NOTE 6 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 risks 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.

The full impact of the COVID-19 outbreak continues to evolve as of 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 effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.