Child Crisis Arizona and Affiliates

Consolidated Financial Statements

December 31, 2022

CHILD CRISIS ARIZONA AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Arizona and Affiliates
Mesa, Arizona

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Child Crisis Arizona and Affiliates (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Child Crisis Arizona and Affiliates as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards is further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Child Crisis Arizona and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Crisis Arizona and Affiliate's ability to continue as a going concern within one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Child Crisis Arizona and Affiliate's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Crisis Arizona and Affiliate's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principle

As described in Note 1 to the financial statements, on January 1, 2022, the Organization adopted Accounting Standards Codification Topic 842 as required by Accounting Standards Update 2016-02, *Leases (Topic 842)* and its related amendments. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023 on our consideration of Child Crisis Arizona and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child Crisis Arizona and Affiliate's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Crisis Arizona and Affiliate's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Tempe, Arizona
April 20, 2023

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 5,660,551
Contracts revenue receivable	1,053,984
Promises to give, current portion, net of allowance of $80,868	458,021
Grants receivable	812,300
Supplies inventory	405,125
Prepaid expenses and other assets	241,239
Restricted cash - new markets tax credit funded reserves	23,050,640
TOTAL CURRENT ASSETS	31,681,860
OTHER ASSETS	
Promises to give, net of current portion, unamortized discount and allowance for uncollectible promises of $299,077	388,050
Beneficial interest in trust	67,816
Investments:	
Without donor restrictions	4,019,468
Deferred compensation plan	619,337
New markets tax credit leveraged loan receivable	18,137,500
Endowment held by foundation	1,050,763
Operating lease right-of-use assets	164,287
Property and equipment, net	14,115,596
Assets restricted for long term purposes:	
Cash	1,000,706
Promises to give, net of allowance of $373,998	2,119,322
TOTAL OTHER ASSETS	41,682,845
TOTAL ASSETS	$ 73,364,705

LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	$ 538,092
Due to Foundation	159,952
Accrued expenses	1,660,011
Deferred income	94,171
Operating lease liabilities, current portion	117,534
TOTAL CURRENT LIABILITIES	2,569,760
LONG-TERM LIABILITIES	
Operating lease liabilities, net of current portion	46,753
Accrued deferred compensation	619,337
Forgivable loans	1,301,600
New markets tax credit loans, net of debt issuance costs	34,289,694
TOTAL LONG-TERM LIABILITIES	36,257,384
TOTAL LIABILITIES	38,827,144
NET ASSETS	
Without donor restrictions:	
Undesignated	20,350,958
Board designated	2,565,763
	22,916,721
With donor restrictions	11,620,840
TOTAL NET ASSETS	34,537,561
TOTAL LIABILITIES AND NET ASSETS	$ 73,364,705

See accompanying notes.

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME			
Contributions and grants	$ 5,206,506	$ 7,335,463	$ 12,541,969
Special events contributions and income, net	1,665,058	-	1,665,058
In-kind donated property, supplies and services	579,920	-	579,920
Contract revenue	19,639,974	-	19,639,974
Rental income	36,000	-	36,000
Other income	106,696	-	106,696
Release from time restrictions	3,507,423	(3,507,423)	-
Release from time and purpose restrictions	1,957,572	(1,957,572)	-
	32,699,149	1,870,468	34,569,617
OPERATING EXPENSES			
Program services	25,082,464	-	25,082,464
Management and general	3,272,028	-	3,272,028
Fundraising	1,806,424	-	1,806,424
TOTAL OPERATING EXPENSES	30,160,916	-	30,160,916
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSES)	2,538,233	1,870,468	4,408,701
NON-OPERATING ACTIVITIES			
Investment return	(584,799)	(21,200)	(605,999)
Loss on retirement of fixed assets	(1,847)	-	(1,847)
Transfers to affiliates	(80,935)	-	(80,935)
TOTAL NON-OPERATING INCOME (EXPENSES)	(667,581)	(21,200)	(688,781)
CHANGE IN NET ASSETS	1,870,652	1,849,268	3,719,920
NET ASSETS, BEGINNING OF YEAR	21,046,069	9,771,572	30,817,641
NET ASSETS, END OF YEAR	$ 22,916,721	$ 11,620,840	$ 34,537,561

See accompanying notes.

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	Program Services						
	Prevention	Intervention	Total Program Services	Management and General	Fundraising Activities	Direct Donor Benefit	Total
Salaries and wages	$ 3,987,082	$ 11,020,734	$ 15,007,816	$ 2,182,613	$ 883,676	$ -	$ 18,074,105
Payroll taxes and benefits	950,970	2,543,955	3,494,925	454,133	237,474	-	4,186,532
Training and travel	174,375	239,008	413,383	71,657	20,580	-	505,620
Program supplies	1,195,044	1,258,810	2,453,854	614	10,334	-	2,464,802
Office and janitorial supplies	74,179	94,614	168,793	164,410	62,802	-	396,005
Equipment rent and software	121,335	285,742	407,077	22,521	36,274	-	465,872
Marketing	8,700	2,206	10,906	1,607	216,837	-	229,350
Insurance	86,990	154,268	241,258	93,756	5,787	-	340,801
Repairs and maintenance	265,384	578,103	843,487	27,625	8,627	-	879,739
Telephone and utilities	193,755	393,867	587,622	42,658	21,060	-	651,340
Transportation	40,323	112,277	152,600	37,812	5,155	-	195,567
Banking fees	1,379	-	1,379	7,379	131,170	-	139,928
Professional services	35,010	82,944	117,954	89,036	19,591	-	226,581
Special event food and other	-	-	-	-	130,304	69,616	199,920
Building rent	45,645	128,400	174,045	-	-	-	174,045
Bad debt expense	8,368	-	8,368	-	(38,691)	-	(30,323)
Depreciation	399,487	347,390	746,877	39,231	28,698	-	814,806
Miscellaneous	84,941	167,179	252,120	36,976	26,746	-	315,842
	7,672,967	17,409,497	25,082,464	3,272,028	1,806,424	69,616	30,230,532
Special events food and other	-	-	-	-	-	(69,616)	(69,616)
TOTAL EXPENSES	$ 7,672,967	$ 17,409,497	$ 25,082,464	$ 3,272,028	$ 1,806,424	$ -	$ 30,160,916

See accompanying notes.

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from funding sources	$ 21,278,664
Cash received from donors and grants	12,994,685
Cash received from special events	1,764,835
Miscellaneous receipts	88,689
Cash paid to employees	(18,103,076)
Cash paid for benefits and taxes	(4,186,532)
Cash paid to suppliers and vendors	(6,261,044)
Cash paid to affiliate	52,360
Cash paid on operating leases	(138,899)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	7,489,682
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(1,501,661)
Payments on new markets tax credit leveraged loan receivable	(18,137,500)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(19,639,161)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from new markets tax credit loans	35,100,000
Payment of loan fees	(810,306)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	34,289,694
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	22,140,215
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,571,682
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 29,711,897
RECONCILIATION TO CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	
Cash and cash equivalents	$ 5,660,551
Restricted cash - new markets tax credit funded reserves	23,050,640
	$ 28,711,191
SUPPLEMENTAL NON-CASH DISCLOSURES	
Donated inventory items	$ 292,383
Debt forgiveness on forgivable loans	32,600
	$ 324,983

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The primary mission of Child Crisis Arizona (CCA) is to provide children and youth in Arizona a safe environment, free from abuse and neglect by creating strong and successful families. These services are provided in nine 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 for the year ending December 31, 2022. CCA does not exercise control over CCAF, and the accounts of CCAF are not included in the accompanying consolidated financial statements of CCA. CCAF benefits CCA and may benefit other charitable organizations.

CCA is the sole member of Child Crisis Arizona Holdings (CCAH), Safe Kids Strong Families, LLC (SKSF) and Fans Across America Charitable Foundation (FANS) which operate as affiliates of CCA and are under the control of CCA. FANS was dissolved in 2022 and became a part of the prevention program within CCA.

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

Prevention programs include:

- *Early Education Services* offered through two centers, one in Mesa and the other in Phoenix, as well as home-based services. Both centers offer Early Head Start and Preschool programming for low-income children and families. Services work to prepare children for successful kindergarten entry while assisting families in overcoming racial and ethnic inequities, thereby breaking the cycle of generational poverty.

- *Family Education* providing free classes, workshops, and events to increase parents' knowledge and skills to care for youth safety thereby reducing the possibilities of child abuse, neglect, or unintentional injury.

- *FANS Across America Distribution Center* offering free basic needs items (clothing, hygiene needs, diapers, and household goods) to children, youth, and families in crisis. Included is Destination Diploma for homeless high school students helping them stay in school and graduate with a post-secondary plan in place.

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

Organization (Continued)

Intervention programs serve children and youth who are or have been part of the child welfare system through the:

- *Emergency Children's Shelter,* singular in the state of Arizona, offering around-the-clock, head-to-toe care for children ages two through 10 years;

- *Group Home*, serving adolescent boys ages 10 through 17 years, concentrating on providing a normal teen experience and transitioning youth to self-sufficient adulthood;

- *Independent Living for Foster Youth,* providing apartment living, meals, and supportive services to aid youth, ages 16- to 21 years to allow high school graduation, pursuit of post-secondary education, and career development to transition to an independent adulthood;

- *Refugee Resettlement Program* providing care and reunification services for unaccompanied minor children entering the United States.

- *Foster Care and Adoption Program* working with single- and two-parent families wishing to grow their family through the provision of foster care or adoptive services. Guiding families through licensure or certification, monitoring and supporting children placed in homes.

- *Counseling Center* offers therapeutic services for children and youth in the child welfare system, concentrating on attachment and bonding, grief and loss, anger management, and trauma.

Principles of Consolidation

The consolidated financial statements include the accounts of CCA, CCAH, SKSF, and FANS (collectively the Organization) because CCA has both control and economic interest in these affiliates. All significant inter-organization transactions and accounts between CCA, CCAH, SKSF, and FANS have been eliminated in the consolidation.

Basis of Presentation

The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) and accordingly reflect all significant receivables, payables and other liabilities.

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

Cash and Cash Equivalents

For the purpose of the consolidated statement of cash flows, the Organization 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.

Restricted Cash New Markets Tax Credit Funded Reserves

The Organization entered into financing agreements in December 2022 to assist with the construction of a new agency headquarters building. The financing agreements require the Organization to maintain cash received restricted for the construction of the building in a separate account.

Contracts Revenue Receivable

Contracts revenue receivable consist primarily of amounts due from various agencies for contract revenue and are unsecured and include both exchange transaction revenue and cost reimbursements. Contracts revenue receivable is carried at the outstanding balances less an allowance for doubtful accounts, if applicable. The Organization evaluates the collectability of its contracts revenue 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. Contracts revenue receivable at December 31, 2022 is 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. Unconditional promises to give that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the year 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, the Organization records a specific reserve to reduce the amounts recorded to what it believes will be collected. Additionally, the Organization 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 conditions on which they depend are substantially met. Grants receivable at December 31, 2022 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

Beneficial Interest in Trusts

The Organization 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 the Organization 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.

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).

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

Fair Value Measurements (Continued)

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 Organization 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 the Organization'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 or net asset value in the consolidated statement of financial position. Investment return or loss is included in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

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

New Markets Tax Credit Leveraged Loan Receivable

The New Markets Tax Credit (NMTC) leveraged loan receivable consists of a promissory note receivable with EBT NMTC Investment Fund VII, LLC (EBTIF). The leveraged loan receivable is collateralized by EBTIF's interest in Enterprise Sub-CDE 31, LLC and Pohlcat, LLC (collectively, the "CDEs") related to the NMTC transaction and is stated at the principal amount outstanding. Payments on the leveraged loan receivable are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. Management assesses the credit quality of the leveraged loan receivable based on indicators such as collateralization, collection experience, and management's internal metrics and reviews the collectability of the leverage loan receivable on an ongoing basis. The leverage loan receivable is periodically evaluated for impairment base on relevant facts and circumstances. Management has determined that no allowance is necessary, and no impairment has occurred as of December 31, 2022.

Property and Equipment

Acquisitions of property and equipment in excess of $10,000 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

The Organization 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.

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

Endowment Funds

The Organization's endowment fund consists of a fund designated by the Board and donors 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.

The Organization 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 continues in perpetuity.

The Organization 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 the Organization in a manner consistent with the standard of prudence prescribed by MCFA.

In accordance with MCFA, the Organization 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) the Organization's other resources, and (7) the Organization's investment policies.

The Board had designated certain net assets without donor restrictions as general endowment funds to support the mission of the Organization. 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. The Organization'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.

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

Endowment Funds (Continued)

Investment Return Objectives, Risk Parameters and Strategies. The Organization 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, the Organization's policy is to appropriate a certain amount for distribution each year once the fund reaches $2,000,000. Also, an amount no greater than 7% of the total market value of the fund may be distributed annually, with a target distribution of 5%. In establishing this policy, the Organization 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. In addition, the Organization's endowment policy requires that if the total fund market value falls below the amount of original contributions, any spending from the fund must be approved by the Board of Directors.

Net Assets

The Organization 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 and reserves for a campus expansion, building improvements, and preventative maintenance.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions or required to be held in perpetuity. 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)

Revenue Recognition

The majority of the Organization's revenue arrangements generally consist of a single performance obligation to transfer promised services. Earned revenues where performance obligations are satisfied at a point in time consist primarily of shelter and foster care days of care which is included in contract revenue on the consolidated statement of activities. Contract revenue included $3,122,886 of shelter and foster care days of care on the consolidated statement of activities. Each performance obligation is met based on time and effort incurred by the Organization's 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. Included in contract revenue receivable were $276,889 and $347,444 as of December 31, 2022, and 2021, respectively, for services related to shelter and foster care days of care. These amounts do not include contracts revenue receivable amounts that were originally classified as conditional contributions.

Contributions

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 consolidated statement of activities as net assets released from restrictions. The Organization 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. The Organization has determined that these contracts are conditional contributions and therefore revenue is recognized when the conditions are met, which is as allowable costs are incurred.

In-Kind Donated Property, Supplies and Services and Adoption of Accounting Standard

In September 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU was issued to increase the transparency of contributed nonfinancial (non-cash) assets for not-for-profit entities through enhancements to presentation and disclosure. The change in accounting principle was adopted on a retrospective basis as of January 1, 2022. There was no adjustment to the beginning net assets balance as a result of the adoption of this standard.

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

In-Kind Donated Property, Supplies and Services and Adoption of Accounting Standard (Continued)

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

The Organization receives a significant amount of contributed supplies inventory to be used for program service needs. These items include diapers, 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.

Functional Allocation of Expenses

The consolidated 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 and FANS qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (IRC), qualify for the charitable contribution deduction and have been classified as organizations that are not private foundations. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax. SKSF qualifies as a disregarded entity for tax purposes; all of SKSF's financial statement amounts are included in CCA's tax return. CCAH has applied for tax exempt status with the IRS and currently the application is pending.

The Organization recognizes uncertain tax positions in the consolidated 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, 2022, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

The Organization recognizes interest and penalties associated with income tax in operating expenses. During the year ended December 31, 2022, the Organization did not have any income tax related interest and penalty expense.

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

Management's Use of Estimates

The preparation of consolidated 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 consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from these estimates.

Leases and Adoption of Accounting Standard

Effective January 1, 2022, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, and all related amendments using the modified retrospective approach.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating lease right-of-use assets are expensed on a straight-line basis as lease expense over the non-cancelable lease term. At the date of adoption, the Organization recorded operating lease right-of-use assets and lease liabilities of $301,151.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected:

- The package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs;

- The practical expedient pertaining to land easements;

- The practical expedient to use hindsight in determining the lease term (that is, when considering options to extend or terminate the lease or to purchase the underlying asset) and in assessing impairment of the Organization's right-of-use assets.

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

Leases Adoption of Accounting Standard (Continued)

The new standard also provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and non-lease components for all asset classes.

- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes.

- The Organization elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

- The Organization elected to account for its operating leases by category (equipment, vehicles, and buildings) using the portfolio approach; as such, leases that have similar commencement dates, length of terms, renewal options or other contract terms have been combined into a lease portfolio whereby the resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Additional required disclosures for Topic 842 are contained in Note 6.

Date of Management's Review

In preparing these consolidated financial statements, the Organization has evaluated subsequent events and transactions for potential recognition or disclosure through April 20, 2023, the date the consolidated financial statements were available to be issued.

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization 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, the Organization 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.

NOTE 2 LIQUIDITY AND AVAILABILITY (Continued)

The Organization 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. The Organization excludes assets with donor restrictions and assets expected to be realized longer than one year from the consolidated statement of financial position date when determining its financial assets available for general expenditures.

As of December 31, 2022, the following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the consolidated statement of financial position date to meet general expenditures obligations.

Financial assets at year-end	
Cash and cash equivalents	$ 6,661,257
Contracts revenue receivable	1,053,984
Promises to give, net	2,965,393
Grants receivable	812,300
New market tax credit cash reserves	23,050,640
Beneficial interests in trust	67,816
Investments without donor restrictions	4,019,468
Investments in deferred compensation plan	619,337
Endowment fund held by Foundation	1,050,763
Total financial assets	40,300,958
Adjustments	
Cash - with donor restrictions	(1,000,706)
Grants receivable - with donor restrictions	(812,300)
Promises to give, noncurrent	(2,507,372)
New market tax credit cash reserves	(23,050,640)
Beneficial interest in trust	(67,816)
Investments in deferred compensation plan	(619,337)
Endowment fund held by Foundation	(1,050,763)
Financial assets available for general expenditures	$ 11,192,024

NOTE 3 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES

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

The Organization has a concentration in contracts revenue receivable and with income sources, mainly from certain agencies. The mix of gross contracts revenue receivable and revenue from various contract sources at December 31, 2022, and for the year ended December 31, 2022, is as follows:

	Contracts Revenue Receivable	%	Contract Revenue	%
Arizona Department of Child Safety	$ 250,849	24%	$ 2,527,270	13%
Early Head Start	-	0%	4,343,771	22%
Office of Refugee Resettlement	503,492	48%	9,564,601	49%
Other	299,643	28%	3,204,332	16%
	$ 1,053,984	100%	$ 19,639,974	100%

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

NOTE 4 PROMISES TO GIVE

Promises to give consist of the following at December 31, 2022:

Receivable in less than one year	$ 1,344,100
Receivable in two to five years	2,333,325
Receivable thereafter	41,912
Total promises to give	3,719,337
Discount to present value	(106,944)
Allowance for uncollectible promises	(647,000)
Net promises to give	2,965,393
Current portion	(458,021)
Non-current portion	$ 2,507,372

The estimated cash flows for promises to give were discounted over the collection period using a discount range of 0.32% to 2.96% as determined by management.

Cost reimbursement grants are conditional contributions. As of December 31, 2022, these grants included conditional promises to give in the amount of approximately $13,000,000, which represents unspent amounts included in these grant agreements and are expected to be spent during the next year.

NOTE 5 BENEFICIAL INTEREST IN TRUST

The Organization 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, the Organization is to receive the remainder of the trust assets upon the death of the donor. The Organization 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 consolidated statement of financial position at present value.

NOTE 6 LEASING ACTIVITIES

The Organization leases buildings for office space under various short-term lease agreements expiring through August 31, 2023, with the option to renew. The Organization does not plan to exercise these options to renew.

The Organization leases office equipment under various operating lease agreements expiring through October 2024.

The Organization leases vehicles under various operating lease agreements expiring through February 2024, with the option to purchase the vehicles at the end of the lease. The Organization does not plan to exercise these options to purchase the vehicles as it is not an allowable cost under their funding contracts.

Right-of-use assets represent the Organization’s right to use an underlying asset for the lease term, while lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

Certain of the Organization's leases include options to renew or terminate the lease. The exercise of lease renewal or early termination options is at the Organization's sole discretion. The Organization regularly evaluates the renewal and early termination options and when they are reasonably certain of exercise, the Organization includes such options in the lease term.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury note or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;

- Determined whether contracts contain embedded leases;

NOTE 6 LEASING ACTIVITIES (Continued)

- Evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;

- Determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments;

The Organization does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of December 31, 2022:

Operating lease right-of-use assets	$ 164,287
Operating lease liabilities:	
Current	117,534
Long-term	46,753
Total operating lease liabilities	$ 164,287

Below is a summary of expenses incurred pertaining to leases during the year ended December 31, 2022:

Operating lease expense	$ 138,899
Short-term lease expense	126,245
Total lease expense	$ 265,144

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 0.97%. As of December 31, 2022, the weighted average remaining lease term was 1.45 years.

NOTE 6 LEASING ACTIVITIES (Continued)

The table below summarizes the Organization's scheduled future minimum lease payments for years ending after December 31, 2022:

Years Ending December 31,		
2023	$	144,978
2024		46,910
Total lease payments		191,888
Less: present value discount		(27,601)
Total lease liabilities		164,287
Less current portion		(117,534)
Long-term lease liabilities	$	46,753

The following table includes supplemental cash flow and noncash information related to the leases for the year ended December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	138,899
Operating lease right-of-use assets obtained in exchange for lease liabilities	$	20,105

NOTE 7 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the consolidated statement 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. The beneficial interest in trust is valued based on expected future cash flows discounted to present value.

NOTE 7 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, 2022:

	Level 1	Level 2	Level 3	Total
Investments without donor restrictions:				
Mutual funds	$ 4,019,468	$ -	$ -	$ 4,019,468
Deferred compensation plan investments:				
Mutual funds	$ 619,337	$ -	$ -	$ 619,337
Endowment held by CCAF	$ -	$ 1,050,763	$ -	$ 1,050,763
Beneficial interest in trust	$ -	$ -	$ 67,816	$ 67,816

Investment return is summarized as follows for the year ended December 31, 2022:

Interest and dividends	$ 250,330
Realized gain	14,297
Unrealized loss	(849,426)
Change in value of beneficial interest in trust	(21,200)
Investment return	$ (605,999)

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 year ended December 31, 2022:

	Beneficial Interest in Trusts
December 31, 2021	$ 89,016
Change in value	(21,200)
December 31, 2022	$ 67,816

NOTE 8 PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2022:

Land	$ 4,055,752
Building and improvements	14,752,174
Furniture, equipment and vehicles	2,734,759
Computers and software	159,719
	21,702,404
Accumulated depreciation	(8,813,123)
	12,889,281
Construction in progress	1,226,315
	$ 14,115,596

Depreciation expense was approximately $815,000 for the year ended December 31, 2022. Construction in progress consists of various renovations to facilities and property that were not yet placed in service as of December 31, 2022. On December 5, 2022, the Organization signed a construction contract for a new building with an estimated total cost of $21 million.

NOTE 9 LINE OF CREDIT

The Organization has a line of credit with a bank available in the amount of $1,000,000. This line has a maturity date of May 26, 2023, and bears interest at a variable rate of the Wall Street Journal Prime rate plus 0.50% and a floor rate of 4.00%. There was no balance outstanding on this line as of December 31, 2022.

NOTE 10 FORGIVABLE LOANS

Forgivable loans consist of the following at December 31, 2022:

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.	$	47,400
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.		67,200
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
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

NOTE 10 FORGIVABLE LOANS (Continued)

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 after forty years, maturing in 2052, in accordance with the CDBG loan agreement. The loan is secured by a deed of trust on the property.	800,000
	$ 1,301,600

In accordance with the terms of the CDBG loans, the Organization 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 forty years, beginning in 2012. If the property use is changed or the properties are sold or vacated in less than the number of years stated in the agreement, the Organization will immediately become liable for the balance of the loans.

NOTE 11 NEW MARKETS TAX CREDIT PROGRAM AND LOANS

The NMTC program was designed to stimulate investment and economic growth in low-income communities by offering taxpayers a 39% tax credit against federal income taxes over a seven-year period for Qualified Equity Investments (SQEIs) in designated Community Development Entities (CDEs). CDEs receive NMTC allocations pursuant to Section 45D of the Internal Revenue Code. These designated CDEs must use substantially all of the proceeds to make Qualified Low-Income Community Investments (QLICI). To earn the tax credit, the QEI must remain invested in the CDE for a seven-year period. Also, the entity receiving the loans needs to be treated as a Qualified Active Low-Income Community Business (QALICB) for the duration of the seven-year period.

In December 2022, the Organization entered into multiple agreements to facilitate the construction on a new headquarters building, approximately 35,000 square feet, located at 804 and 828 N Country Club Drive and, 424 and 430 W Rio Salado Parkway (Project Property) in Mesa, Arizona. Construction will begin in 2023 and is expected to be completed in 2024.

NOTE 11 NEW MARKETS TAX CREDIT PROGRAM AND LOANS (Continued)

Enterprise Financial CDE, LLC (Enterprise Allocatee) received an allocation of NMTC authority under Section 45D of the Code, in the amount of $60,000,000 and has entered into an allocation agreement with the CDFI Fund governing such allocation. Enterprise Allocatee has made a sub-allocation to Enterprise Sub-CDE 31, LLC (the Enterprise CDE) of a portion of the allocation in the amount of $10,000,000. Phoenix Community Development and investment Corporation (PCDIC Allocatee) received an allocation of NMTC authority under Section 45D of the Code, in the amount of $55,000,000 and has entered into an allocation agreement with the CDFI Fund governing such allocation. PCDIC Allocatee has made a sub-allocation to Pohlcat, LLC (PCDIC CDE) of a portion of the allocation in the amount of $15,000,000.

Enterprise Bank & Trust made a capital contribution to EBT NMTC Investment Fund VII, LLC, whose sole member is Enterprise Bank & Trust, in the amount of $7,770,850, the Investor Member Capital Contribution, of which $458,350 is bridge equity. EBT NMTC Investment Fund VII, LLC also obtained a loan from CCA in the amount of $18,137,500, known as the Leverage Loan.

EBT NMTC Investment Fund VII, LLC used the proceeds of the Leverage Loan and the Investor Member Capital Contribution to pay certain fees to PCDIC Allocatee in the amount of $450,000 for services PCDIC Allocatee performed, make a capital contribution in the amount of $10,000,000 to Enterprise CDE which is expected to constitute a QEI eligible for NMTCs, make two capital contributions each in the amount of $7,500,000 to PCDIC CDE which each is expected to constitute a QEI eligible for NMTCs, and return the bridge equity to the investor member.

Enterprise CDE will use all of the proceeds of EBT NMTC Investment Fund VII, LLC's $10,000,000 QEI to pay certain fees to Enterprise Allocatee in the amount of $100,000 and make loans and other investments that constitute QLICI to QALICB for purposes of the NMTC program which investments will initially consist of loans to CCAH in an aggregate amount equal to $9,900,000. PCDIC CDE will use all of the proceeds of EBT NMTC Investment Fund VII, LLC's $15,000,000 QEI to pay certain fees to PCDIC Allocatee in the amount of $300,000 and make loans and other investments that constitute QLICI to QALICB for purposes of the NMTC program which investments will initially consist of loans to CCAH in an aggregate amount equal to $14,700,000. EBT NMTC Investment Fund VII, LLC has a 99.99% membership interest in both Enterprise CDE and PCDIC CDE. The CDEs used the funding to originate the four QLICI Loans.

The transaction is subject to a put/call option agreement. Enterprise Bank & Trust has a put option whereby upon exercise of the option after the last day of the tax credit investment period or the occurrence of a NMTC recapture event, CCA is obligated to purchase Enterprise Bank & Trust's 99.99% membership interest in EBT NMTC Investment Fund VII, LLC for $1,000. At the end of the seven-year tax credit investment period, CCA has a call option whereby if exercised, they have the right to purchase Enterprise Bank & Trust's 99.99% membership interest in the EBT NMTC Investment Fund VII, LLC at fair value.

NOTE 11 NEW MARKETS TAX CREDIT PROGRAM AND LOANS (Continued)

The tax credits associated with the transaction are contingent on the Organization maintaining compliance with applicable portions of Section 42 of the Internal Revenue Code. Failure to maintain compliance or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus penalties and interest. CCA and CCAH have both signed a QALICB Indemnification Agreement that obligates them, joint and severally, to pay any NMTC recapture amount, as defined in Section 45D(g)(2) of the Internal Revenue Code, to investors within the NMTC structure with respect to related tax credits that have been claimed with respect to the designated qualified equity investment amount at the time of any recapture or disallowance of tax credits claimed. Recapture or disallowance can result from CCAH failing to qualify as a QALICB, failure of the CDE loans to qualify as a QLICI, among others.

NMTC leverage loan receivable consists of the following at December 31, 2022:

Promissory note in the orignal amount of $18,137,500 due from EBT NMTC Investment Fund VII, LLC (an unrelated entity) dated December 20, 2022, with quarterly interest only payments at the rate of 1.00% per annum due beginning on March 10, 2023 through December 10, 2029. Commencing March 10, 2030, principal and interest payments of $21,471 will be due quarterly until maturity on December 19, 2053; collateralized by a security interest in EBT NMTC Investment Fund VII, LLC's interest in the CDEs; loan agreement and other governing documents restrict the use of the funds to CCAH, who is a qualified active low-income community business for the term of the note. The loan principal may be prepaid at any time without penalty or premium.	$ 18,137,500

NOTE 11 NEW MARKETS TAX CREDIT PROGRAM AND LOANS (Continued)

NMTC loans payable consists of the following at December 31, 2022:

Note payable to Enterprise Bank & Trust originating December 20, 2022 and maturing December 20, 2027. Interest-only period commencing December 20, 2022 through December 20, 2024 at a floating rate per annum equal to the Wall Street Journal Prime Rate plus 0.50% with a floor of 4.00%. During the amortization period, the interest rate will be a fixed rate per annum equal to the greater of the 5-Year Treasury Rate on the first day of the amortization period plus 2.75% or 4.00%. Before each payment date, CCA shall prepay all capital campaign proceeds received by CCA in the preceding calendar month. CCA must deposit all capital campaign proceeds received into the capital campaign proceeds account that Enterprise Bank & Trust shall be entitled to in the event of default.	$ 10,500,000
Enterprise CDE Loan A - Bears interest at 1.00% per annum, interest-only payments due quarterly beginning in December 2022 through December 2029. Commencing in March 2030, principal and interest payments of $72,504 will be due quarterly until maturity on December 19, 2057. CCA guarantees the loan owed by CCAH.	7,075,000
Enterprise CDE Loan B - Bears interest at 1.00% per annum, interest-only payments due quarterly beginning in December 2022 through September 2029. Additional interest-only payment is due in December 2029. An initial principal payment of $75,000 is due in December 2029. Commencing in March 2030, principal and interest payments of $28,182 will be due quarterly until maturity on December 19, 2057. CCA guarantees the loan owed by CCAH.	2,825,000

NOTE 11 NEW MARKETS TAX CREDIT PROGRAM AND LOANS (Continued)

PCDIC CDE Loan A - Bears interest at 1.00% per annum, interest-only payments due quarterly beginning in December 2022 through December 2029. Commencing in March 2030, principal and interest payments of $113,368 will be due quarterly until maturity on December 19, 2057. CCA guarantees the loan owed by CCAH.	11,062,500
PCDIC CDE Loan B - Bears interest at 1.00% per annum, interest-only payments due quarterly beginning in December 2022 through December 2029. Commencing in March 2030, principal and interest payments of $37,277 will be due quarterly until maturity on December 19, 2057. CCA guarantees the loan owed by CCAH.	3,637,500
	35,100,000
Less debt issuance costs	(810,306)
NMTC loans, net of debt issuance costs	$ 34,289,694

All of these loans payable were obtained to finance the construction project and are collateralized by a Deed of Trust and a regulatory agreement that restricts the use of the property to operating as a qualified active low-income community business for the term of the note. The loans cannot be prepaid through December 2029.

The loan agreements also include certain covenants. There are no principal payments due within the next 5 years.

NOTE 12 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as of December 31, 2022 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 1,015,763	$ -	$ 1,015,763
Donor restricted endowment funds	-	35,000	35,000
Total endowment funds	$ 1,015,763	$ 35,000	$ 1,050,763

Changes in endowment funds for the year ended December 31, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2021	1,113,126	35,000	1,148,126
Board designations	80,934	-	80,934
Interest and dividends	31,340	-	31,340
Realized gain	14,782	-	14,782
Unrealized loss	(224,419)	-	(224,419)
Endowment funds, December 31, 2022	$ 1,015,763	$ 35,000	$ 1,050,763

NOTE 13 BOARD DESIGNATED NET ASSETS

Net assets without donor restrictions that are board designated consists of the following as of December 31, 2022:

Renovation for future residential program expansion	$ 1,000,000
Renovation of group home	250,000
Preventative maintenance	300,000
	1,550,000
Board designated endowment fund	1,015,763
Total board designated net assets	$ 2,565,763

NOTE 14 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows as of December 31, 2022:

Time restricted:	
Promises to give	$ 667,837
Grants receivable	812,300
Beneficial interest in trust	67,816
Donor-restricted endowment (restricted in perpetuity)	35,000
Purpose restricted:	
Campus expansion	6,462,332
Time and purpose restricted:	
Promises to give - expansion	2,119,322
Mesa shelter building - to utilize as a child care center	1,456,233
Total net assets with donor restrictions	$ 11,620,840

NOTE 15 SPECIAL EVENTS

Special events contributions and income consist of the following at December 31, 2022:

Special events contributions	$ 1,642,479
Special events income	92,195
Direct benefit to donors	(69,616)
	$ 1,665,058

NOTE 16 IN-KIND DONATED PROPERTY, SUPPLIES, AND SERVICES

Donated services and use of facilities for the year ended December 31, 2022 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	$ 27,956	$ 12,762	$ 2,366	$ 43,084
Use of facilities	42,000	-	-	42,000
	$ 69,956	$ 12,762	$ 2,366	85,084
Donated inventory				494,836
In-kind donated property, supplies and services				$ 579,920

All donated services and assets were utilized by the Organization during the year. The values for donated services are estimated at the hourly rates charged for those services. Donated use of facilities is recorded at the estimated average rate per square foot for similar properties in the same area. The values for donated inventory are recorded at the average cost of the item if new, or at thrift value if used.

NOTE 17 RETIREMENT PLANS

The Organization 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. The Organization may make annual discretionary contributions to the Plan. The Organization made employer contributions of approximately $1,069,000 during the year ended December 31, 2022.

The Organization also has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457 of the Internal Revenue Code. The Organization 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 participants in the plan and are recorded to the deferred compensation liability. The deferred compensation plan assets in the amount of $619,337 as of December 31, 2022 is included in investments on the accompanying consolidated statement of financial position. During the year ended December 31, 2022, the Organization made employer contributions to the deferred compensation plan in the amounts of approximately $181,000.

NOTE 18 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2022, the Organization paid for operating expenses of CCAF amounting to $25,937. Also, during the year ended December 31, 2022, the Organization transferred various funds and contributions to CCAF amounting to $80,935, recorded as transfers to Foundation on the accompanying consolidated statement of activities. During the year ended December 31, 2021, the Foundation approved a contribution of $500,000 to CCA's expansion capital campaign and the promise to give balance at December 31, 2022, includes $300,000 from the Foundation.

NOTE 19 CONTINGENCIES

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

SUPPLEMENTARY SCHEDULES

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2022

	Child Crisis Arizona	Fans Across America Charitable Foundation	Safe Kids Strong Families	Child Crisis Arizona Holdings	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	$ 5,660,555	$ -	$ (4)	$ -	$ -	$ 5,660,551
Contracts revenue receivable	1,053,984	-	-	-	-	1,053,984
Promises to give, current portion, net of allowance of $80,868	458,021	-	-	-	-	458,021
Grants receivable	812,300	-	-	-	-	812,300
Due from affiliates	1,036,955	-	-	-	(1,036,955)	-
Supplies inventory	405,125	-	-	-	-	405,125
Prepaid expenses and other assets	241,239	-	-	-	-	241,239
Restricted cash - new markets tax credit funded reserves	1,000,165	-	-	22,050,475	-	23,050,640
TOTAL CURRENT ASSETS	10,668,344	-	(4)	22,050,475	(1,036,955)	31,681,860
OTHER ASSETS						
Promise to give, net of current portion, unamortized discount and allowance for uncollectible promises of $299,077	388,050	-	-	-	-	388,050
Beneficial interest in trust	67,816	-	-	-	-	67,816
Investments:						
Without donor restrictions	4,019,468	-	-	-	-	4,019,468
Deferred compensation plan	619,337	-	-	-	-	619,337
New markets tax credit leveraged loan receivable	18,137,500	-	-	-	-	18,137,500
Endowment held by foundation	1,050,763	-	-	-	-	1,050,763
Operating lease right-of-use assets	164,287	-	-	-	-	164,287
Property and equipment, net	11,286,922	-	-	2,828,674	-	14,115,596
Assets restricted for long term purposes:						
Cash	1,000,706	-	-	-	-	1,000,706
Promises to give, net of allowance of $373,998	2,119,322	-	-	-	-	2,119,322
TOTAL OTHER ASSETS	38,854,171	-	-	2,828,674	-	41,682,845
TOTAL ASSETS	$ 49,522,515	$ -	$ (4)	$ 24,879,149	$ (1,036,955)	$ 73,364,705

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (Continued)
December 31, 2022

	Child Crisis Arizona	Fans Across America Charitable Foundation	Safe Kids Strong Families	Child Crisis Arizona Holdings	Eliminations	Total
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	$ 538,092	$ -	$ -	$ -	$ -	$ 538,092
Due to Foundation	159,952	-	-	-	-	159,952
Due to affiliates	-	-	-	1,036,955	(1,036,955)	-
Accrued expenses	1,660,011	-	-	-	-	1,660,011
Deferred income	94,171	-	-	-	-	94,171
Operating lease liabilities, current portion	117,534	-	-	-	-	117,534
TOTAL CURRENT LIABILITIES	2,569,760	-	-	1,036,955	(1,036,955)	2,569,760
LONG-TERM LIABILITIES						
Operating lese liabilities, net of current portion	46,753	-	-	-	-	46,753
Accrued deferred compensation	619,337	-	-	-	-	619,337
Forgivable loans	1,301,600	-	-	-	-	1,301,600
New markets tax credit loans, net of debt issuance costs	10,447,500	-	-	23,842,194	-	34,289,694
TOTAL LONG-TERM LIABILITIES	12,415,190	-	-	23,842,194	-	36,257,384
TOTAL LIABILITIES	14,984,950	-	-	24,879,149	(1,036,955)	38,827,144
NET ASSETS						
Without donor restrictions:						
Undesignated	20,350,962	-	(4)	-	-	20,350,958
Board designated	2,565,763	-	-	-	-	2,565,763
	22,916,725	-	(4)	-	-	22,916,721
With donor restrictions	11,620,840	-	-	-	-	11,620,840
TOTAL NET ASSETS	34,537,565	-	(4)	-	-	34,537,561
TOTAL LIABILITIES AND NET ASSETS	$ 49,522,515	$ -	$ (4)	$ 24,879,149	$ (1,036,955)	$ 73,364,705

CHILD CRISIS ARIZONA AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Child Crisis Arizona	Fans Across America Charitable Foundation	Safe Kids Strong Families	Child Crisis Arizona Holdings	Eliminations	Total
REVENUES, SUPPORT AND OTHER INCOME						
Contributions and grants	$ 12,510,246	$ 31,723	$ -	$ -	$ -	$ 12,541,969
Special events contributions and income, net	1,665,058	-	-	-	-	1,665,058
In-kind donated property, supplies and services	379,790	200,130	-	-	-	579,920
Contract revenue	19,614,974	25,000	-	-	-	19,639,974
Rental income	36,000	-	-	-	-	36,000
Other income	106,696	-	-	-	-	106,696
	34,312,764	256,853	-	-	-	34,569,617
OPERATING EXPENSES						
Program services	24,602,671	479,668	125	-	-	25,082,464
Management and general	3,272,028	-	-	-	-	3,272,028
Fundraising	1,806,424	-	-	-	-	1,806,424
TOTAL OPERATING EXPENSES	29,681,123	479,668	125	-	-	30,160,916
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSES)	4,631,641	(222,815)	(125)	-	-	4,408,701
NON-OPERATING ACTIVITIES						
Investment return	(606,001)	-	2	-	-	(605,999)
Loss on retirement of fixed assets	(1,847)	-	-	-	-	(1,847)
Transfers from affiliates	2,600,569	-	-	-	(2,600,569)	-
Transfers to affiliates	(80,935)	(395,046)	(2,205,523)	-	2,600,569	(80,935)
TOTAL NON-OPERATING INCOME (EXPENSES)	1,911,786	(395,046)	(2,205,521)	-	-	(688,781)
CHANGE IN NET ASSETS	6,543,427	(617,861)	(2,205,646)	-	-	3,719,920
NET ASSETS, BEGINNING OF YEAR	27,994,138	617,861	2,205,642	-		30,817,641
NET ASSETS, END OF YEAR	$ 34,537,565	$ -	$ (4)	$ -	$ -	$ 34,537,561