

# **Child Crisis Arizona Foundation**

Financial Statements

December 31, 2022 and 2021

CHILD CRISIS ARIZONA FOUNDATION  
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## INDEPENDENT AUDITORS' REPORT

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

### **Opinion**

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, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are 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 Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 Foundation's ability to continue as a going concern within one year after the date that the 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 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 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the 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 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 Foundation'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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Crisis Arizona Foundation'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.



Tempe, Arizona  
March 28, 2023

CHILD CRISIS ARIZONA FOUNDATION  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Investments	<u>\$ 12,024,110</u>	<u>\$ 14,693,857</u>
TOTAL ASSETS	<u><u>\$ 12,024,110</u></u>	<u><u>\$ 14,693,857</u></u>
LIABILITIES		
Endowment held for Child Crisis Arizona	\$ 1,050,763	\$ 1,148,126
Due to affiliate	<u>140,048</u>	<u>275,980</u>
TOTAL LIABILITIES	<u>1,190,811</u>	<u>1,424,106</u>
NET ASSETS		
Without donor restrictions	<u>10,833,299</u>	<u>13,269,751</u>
TOTAL NET ASSETS	<u><u>10,833,299</u></u>	<u><u>13,269,751</u></u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,024,110</u></u>	<u><u>\$ 14,693,857</u></u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION  
STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
REVENUE		
Interest, dividends and other	\$ 345,908	\$ 346,793
Realized gain on sale of investments	180,252	50,251
Unrealized gain/(loss) on investments	<u>(2,563,609)</u>	<u>1,255,134</u>
TOTAL REVENUE	<u>(2,037,449)</u>	<u>1,652,178</u>
EXPENSES		
Program expenses:		
Donations to Child Crisis Arizona	<u>454,000</u>	<u>932,000</u>
Management and general expenses:		
Professional fees	20,000	20,000
Insurance expense	4,225	3,207
Software expense	<u>1,712</u>	<u>-</u>
	<u>25,937</u>	<u>23,207</u>
TOTAL EXPENSES	<u>479,937</u>	<u>955,207</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS FROM AFFILIATE	(2,517,386)	696,971
TRANSFERS FROM AFFILIATE	<u>80,934</u>	<u>110,807</u>
CHANGE IN NET ASSETS	(2,436,452)	807,778
NET ASSETS, BEGINNING OF YEAR	<u>13,269,751</u>	<u>12,461,973</u>
NET ASSETS, END OF YEAR	<u><u>\$ 10,833,299</u></u>	<u><u>\$ 13,269,751</u></u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and dividends received	\$ 345,908	\$ 346,793
Cash received from affiliate	-	439,331
Cash paid to affiliate	<u>(454,000)</u>	<u>(100,000)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(108,092)</u>	<u>686,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,245,908)	(1,036,124)
Proceeds from sale of investments	<u>1,354,000</u>	<u>350,000</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>108,092</u>	<u>(686,124)</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  
Years Ended December 31, 2022 and 2021

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 and four common board members for the years ended December 31, 2022 and 2021 respectively.

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  
Years Ended December 31, 2022 and 2021

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  
Years Ended December 31, 2022 and 2021

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  
Years Ended December 31, 2022 and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

Date of Management's Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, 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, 2022 and 2021, the Foundation's financial assets of \$10,973,347 and \$13,545,731, respectively, which represents its investments less the endowment held for CCA, are available for general expenditures.

CHILD CRISIS ARIZONA FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
Years Ended December 31, 2022 and 2021

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, 2022:

	Level 1	Level 2	Level 3	Total
Money market	\$ 971	\$ -	\$ -	\$ 971
Equity funds	7,631,251	-	-	7,631,251
Fixed income funds	4,391,888	-	-	4,391,888
Total investments	<u>\$ 12,024,110</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,024,110</u>

The following is a summary of the fair value of investments, measured on a recurring basis, at December 31, 2021:

	Level 1	Level 2	Level 3	Total
Money market	\$ 956	\$ -	\$ -	\$ 956
Equity funds	9,245,989	-	-	9,245,989
Fixed income funds	5,446,912	-	-	5,446,912
Total investments	<u>\$ 14,693,857</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,693,857</u>

NOTE 4 TRANSACTIONS WITH AFFILIATE

The Foundation contributed \$454,000 and \$932,000 to CCA during the years ended December 31, 2022 and 2021, respectively. Also, during the years ended December 31, 2022 and 2021, CCA paid for operating expenses of the Foundation amounting to \$25,937 and \$23,207, respectively. Also, during the years ended December 31, 2022 and 2021, CCA transferred various funds and contributions to the Foundation amounting to \$80,934 and \$110,807, respectively. The amounts were transferred by CCA in accordance with its board-designated endowment fund and windfall policies. In addition, a corresponding receivable was recorded by CCA for the endowment balance held by the Foundation on CCA's behalf. Amounts owed to CCA from the Foundation are presented as amounts due to affiliate in the accompanying statements of financial position in the amount of \$140,048 and \$275,980 for the years ended December 31, 2022 and 2021, respectively.