Financial Reports

Child Crisis Arizona

Safe kids. Strong families.

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

Henry+Horne

INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Arizona
Mesa, Arizona

We have audited the accompanying financial statements of Child Crisis Arizona (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Horne, LLP

Tempe, Arizona
April 19, 2018

CHILD CRISIS ARIZONA
STATEMENTS OF FINANCIAL POSITION
As of December 31, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 6,150,342	$ 3,428,826
Accounts receivable	1,086,664	761,210
Promises to give, current portion, net of allowance of $48,300 and $46,050	273,502	260,925
Grants receivable	30,000	221,490
Supplies inventory	286,549	449,652
Prepaid expenses and other assets	272,861	85,787
TOTAL CURRENT ASSETS	8,099,918	5,207,890
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises of $94,050 and $78,100	418,564	300,495
ESCROW DEPOSIT	63,000	-
BENEFICIAL INTEREST IN TRUST	78,552	58,833
INVESTMENTS	110,946	234,919
PROPERTY AND EQUIPMENT, net	7,923,335	8,033,297
TOTAL ASSETS	$ 16,694,315	$ 13,835,434
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 525,697	$ 127,290
Accrued expenses	498,571	695,010
Due to affiliate	29,885	12,958
Deferred revenue	72,320	31,377
TOTAL CURRENT LIABILITIES	1,126,473	866,635
ACCRUED DEFERRED COMPENSATION	110,946	47,606
FORGIVABLE LOANS	163,000	163,000
TOTAL LIABILITIES	1,400,419	1,077,241
NET ASSETS		
Unrestricted	12,415,749	10,017,087
Temporarily restricted	2,878,147	2,741,106
TOTAL NET ASSETS	15,293,896	12,758,193
TOTAL LIABILITIES AND NET ASSETS	$ 16,694,315	$ 13,835,434

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES, SUPPORT AND OTHER INCOME						
Contributions and grants	$ 5,510,704	$ 724,529	$ 6,235,233	$ 4,475,942	$ 647,463	$ 5,123,405
Special events contributions and income, net	1,147,686	-	1,147,686	983,809	-	983,809
In-kind donated property, supplies, and services	719,941	-	719,941	552,090	1,796,853	2,348,943
Contract revenue	8,059,874	250,000	8,309,874	9,239,829	-	9,239,829
Other income	59,958	-	59,958	48,133	-	48,133
Net assets released from restrictions	857,207	(857,207)	-	974,165	(974,165)	-
	16,355,370	117,322	16,472,692	16,273,968	1,470,151	17,744,119
OPERATING EXPENSES						
Program services	10,839,076	-	10,839,076	12,146,348	-	12,146,348
Management and general	1,656,253	-	1,656,253	1,596,681	-	1,596,681
Fundraising	1,411,308	-	1,411,308	1,283,110	-	1,283,110
TOTAL OPERATING EXPENSES	13,906,637	-	13,906,637	15,026,139	-	15,026,139
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSES)	2,448,733	117,322	2,566,055	1,247,829	1,470,151	2,717,980
NON-OPERATING ACTIVITIES						
Investment return	8,144	19,719	27,863	14,837	2,268	17,105
Loss on retirement of fixed assets	(19,115)	-	(19,115)	(9,935)	-	(9,935)
Transfers to affiliate	(39,100)	-	(39,100)	(110,433)	-	(110,433)
TOTAL NON-OPERATING INCOME (EXPENSES)	(50,071)	19,719	(30,352)	(105,531)	2,268	(103,263)
CHANGE IN NET ASSETS	2,398,662	137,041	2,535,703	1,142,298	1,472,419	2,614,717
NET ASSETS, BEGINNING OF YEAR	10,017,087	2,741,106	12,758,193	8,874,789	1,268,687	10,143,476
NET ASSETS, END OF YEAR	$ 12,415,749	$ 2,878,147	$ 15,293,896	$ 10,017,087	$ 2,741,106	$ 12,758,193

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2017

	Program Services						
	Prevention	Intervention	Early Education	Total Program Services	Management and General	Fundraising Activities	Total
Salaries and wages	$ 1,054,244	$ 2,637,623	$ 2,172,684	$ 5,864,551	$ 939,976	$ 630,738	$ 7,435,265
Payroll taxes and benefits	289,067	678,436	587,984	1,555,487	278,673	158,693	1,992,853
Training and travel	27,919	32,590	85,375	145,884	16,031	52,987	214,902
Program supplies	431,737	430,145	407,840	1,269,722	142	-	1,269,864
Office and janitorial supplies	71,795	159,404	130,399	361,598	100,124	67,563	529,285
Marketing	1,176	724	5,254	7,154	-	104,492	111,646
Insurance	6,156	76,222	32,247	114,625	8,536	4,888	128,049
Repairs and maintenance	11,492	91,182	117,630	220,304	27,363	10,919	258,586
Telephone and utilities	24,973	153,861	73,144	251,978	46,061	20,007	318,046
Transportation	42,693	49,567	13,127	105,387	10,296	7,169	122,852
Banking fees	-	-	16	16	29,642	51,679	81,337
Professional services	21,653	62,736	50,748	135,137	114,007	8,122	257,266
Special event expenses	-	-	-	-	-	163,913	163,913
Building rent	36,843	44,314	-	81,157	-	-	81,157
Bad debt expense	-	-	-	-	-	77,950	77,950
Depreciation	20,437	380,538	268,453	669,428	62,057	33,699	765,184
Miscellaneous	6,131	19,702	30,815	56,648	23,345	18,489	98,482
Total operating expenses	2,046,316	4,817,044	3,975,716	10,839,076	1,656,253	1,411,308	13,906,637
Special events venue and food	-	-	-	-	-	-	123,665
TOTAL EXPENSES	$ 2,046,316	$ 4,817,044	$ 3,975,716	$ 10,839,076	$ 1,656,253	$ 1,411,308	$ 14,030,302

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016 *

	Program Services						
	Prevention	Intervention	Early Education	Total Program Services	Management and General	Fundraising Activities	Total
Salaries and wages	$ 1,034,490	$ 4,410,904	$ 1,731,687	$ 7,177,081	$ 969,317	$ 555,399	$ 8,701,797
Payroll taxes and benefits	220,009	897,884	378,062	1,495,955	211,193	110,585	1,817,733
Training and travel	25,428	40,228	77,746	143,402	10,470	11,170	165,042
Program supplies	188,256	614,187	306,242	1,108,685	-	-	1,108,685
Office and janitorial supplies	79,193	202,154	131,329	412,676	109,358	62,588	584,622
Marketing	7,750	9,829	263	17,842	208	83,086	101,136
Insurance	12,510	73,153	22,821	108,484	10,640	5,602	124,726
Repairs and maintenance	22,539	116,436	50,926	189,901	25,124	7,942	222,967
Telephone and utilities	59,789	218,424	77,318	355,531	44,340	27,537	427,408
Transportation	41,037	74,474	6,714	122,225	9,426	8,284	139,935
Banking fees	78	144	133	355	3,603	75,488	79,446
Professional services	71,660	101,493	43,901	217,054	131,864	19,264	368,182
Special event expenses	-	-	-	-	-	147,408	147,408
Building rent	32,529	103,239	-	135,768	-	-	135,768
Bad debt expense	-	-	-	-	-	120,166	120,166
Depreciation	49,711	353,995	201,742	605,448	60,515	33,502	699,465
Miscellaneous	8,130	30,272	17,539	55,941	10,623	15,089	81,653
Total operating expenses	1,853,109	7,246,816	3,046,423	12,146,348	1,596,681	1,283,110	15,026,139
Special events venue and food	-	-	-	-	-	-	97,322
TOTAL EXPENSES	$ 1,853,109	$ 7,246,816	$ 3,046,423	$ 12,146,348	$ 1,596,681	$ 1,283,110	$ 15,123,461

Reclassified to conform to current year presentation

CHILD CRISIS ARIZONA
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,535,703	$ 2,614,717
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	765,184	699,465
Loss on retirement of assets	19,115	9,935
Non-cash donation of property and equipment	(36,745)	(1,886,327)
Change in donated supplies inventory	163,103	185,976
Provision for uncollectible promises to give	18,200	(33,550)
Change in discount on long-term promises to give	14,971	(1,748)
Change in value of beneficial interest in lead trust	(19,719)	(2,268)
Unrealized gain on investments	(17,287)	(15,302)
Decrease (increase) in:		
Accounts receivable	(325,454)	285,189
Promises to give	(163,817)	121,341
Grants receivable	191,490	81,951
Prepaid expenses and other assets	(187,074)	121,413
Increase (decrease) in:		
Accounts payable	398,407	(163,737)
Accrued expenses	(196,439)	(12,057)
Due to affiliate	16,927	12,958
Deferred revenue	40,943	(11,828)
Accrued deferred compensation	8,600	970
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	3,226,108	2,007,098
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale and transfer of investments from CCAF	196,000	-
Proceeds from sale of property and equipment	10,000	2,250
Purchases of property and equipment	(647,592)	(740,015)
Proceeds from beneficial interests in trusts	-	23,781
Payment of escrow deposit for property purchase	(63,000)	-
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(504,592)	(713,984)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loan	-	84,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,721,516	1,377,114
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,428,826	2,051,712
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,150,342	$ 3,428,826

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

CCA is related to Child Crisis Arizona Foundation (CCAF), a supporting organization to CCA, by three common board members as of December 31, 2017 and 2016. CCA does not exercise control over CCAF, and the accounts of CCAF are not included in the accompanying financial statements of CCA. CCAF benefits CCA and may benefit other charitable organizations.

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

Prevention Services – CCA makes efforts to prevent child abuse and neglect before it occurs through family education and home visitation programs. Family education offers free or very low-cost workshops, classes, playgroups, support groups, legal clinics, and family-friendly socialization activities designed to teach and model positive parenting skills. Home visitation is a free voluntary program for expectant parents and parents of newborns. This program offers regular home visits teaching parenting skills and helping parents prepare their children for successful school entry.

Intervention Services – CCA provides care when child abuse or neglect has occurred through an emergency children's shelter, foster care and adoption, and counseling programs. The emergency children's shelter is a licensed emergency care facility for children ages birth to 10-years offering head-to-toe care 24/7/365 providing children safety and a path to recovery. The foster care and adoption program recruits, trains, licenses or certifies families with the desire to grow their families through the provision of foster care or adoption and supporting those created families. CCA's counseling program is a licensed provider of behavioral health services for children ages birth to 17-years, specializing in the issues related to foster care and adoption, to create strong, stable families.

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

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

Basis of Presentation

The financial statements of CCA have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, CCA considers all highly liquid debt instruments with an original maturity of ninety days or less at date of acquisition to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of amounts due from various agencies for contract revenue and are unsecured. Accounts receivable are carried at the outstanding balances less an allowance for doubtful accounts, if applicable. CCA evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. Accounts are charged off against the allowance when they are deemed to be uncollectible. Accounts receivable at December 31, 2017 and 2016 are considered by management to be fully collectible and, accordingly, an allowance for doubtful accounts has not been provided.

Promises to Give and Grants Receivable

Unconditional promises to give and certain grants receivable are recognized as revenues in the period the promise is received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. The discounts on those amounts are computed using risk-free interest rates as determined by management applicable to the years in which the promises are received. Amortization of the discounts is included in contributions. In circumstances where it is aware of a specific amount where there may be an inability to meet the financial obligation, CCA records a specific reserve to reduce the amounts recorded to what it believes will be collected. Additionally, CCA reserves a portion of all promises based upon historical uncollectible rates. Promises are charged off against the allowance when they are deemed to be uncollectible. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Grants receivable at December 31, 2017 and 2016 are considered to be fully collectible by management and, accordingly, an allowance for doubtful accounts is not deemed necessary.

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

Contributed Supplies Inventory

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

Fair Value Measurements

A framework for measuring fair value has been established by the Accounting Standards Codification and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that CCA has the ability to access.

Level 2 Inputs to the valuation methodology include:

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

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

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

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

Fair Value Measurements (Continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

Beneficial Interest in Trusts

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

Investments

Investments are measured at fair value in the statement of financial position as determined by quoted prices in active markets. Investment income or loss (including realized and unrealized gains and losses on investments, interest and dividends) is included in the change in unrestricted net assets in the accompanying statements of activities, unless the income or loss is restricted by donor or law.

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

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

Property and Equipment

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

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

Property and Equipment (Continued)

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

Impairment of Long-Lived Assets

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

Revenue Recognition

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

Contributions

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

Donated Services and Use of Facilities

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

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

Functional Allocation of Expenses

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

Income Tax Status

CCA qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), qualifies for the charitable contribution deduction and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be subject to income tax.

CCA 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, 2017 and 2016, CCA had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

CCA recognizes interest and penalties associated with income tax in operating expenses. During the years ended December 31, 2017 and 2016, CCA did not have any income tax related interest and penalty expense.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Management's Use of Estimates

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

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

Date of Management's Review

In preparing these financial statements, CCA has evaluated events and transactions for potential recognition or disclosure through April 19, 2018, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES

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

Grants receivable include $30,000 and $200,000 from two and three sources, which represent 100% and 90% of total grants receivable at December 31, 2017 and 2016, respectively.

NOTE 2 CONCENTRATIONS OF CREDIT RISK AND CONCENTRATIONS OF INCOME SOURCES (Continued)

CCA has a concentration of income sources, mainly from certain agencies. The mix of gross accounts receivable and revenue from various contract sources at December 31, 2017, and for the year ended December 31, 2017, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 247,661	23%	$ 2,028,527	24%
First Things First	178,087	16%	1,722,768	21%
VOCA	151,405	14%	537,059	6%
Early Head Start	422,816	39%	3,094,117	37%
Other	86,695	8%	927,403	11%
	$ 1,086,664	100%	$ 8,309,874	100%

The mix gross accounts receivable and revenue from various contract sources at December 31, 2016, and for the year ended December 31, 2016, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 381,032	50%	$ 3,903,486	42%
First Things First	240,183	32%	1,666,520	18%
Gila River Indian Community	93,650	12%	361,385	4%
Early Head Start	-	0%	2,303,748	25%
Other	46,345	6%	1,004,690	11%
	$ 761,210	100%	$ 9,239,829	100%

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

NOTE 3 PROMISES TO GIVE

Promises to give consist of the following at December 31:

	2017	2016
Receivable in less than one year	$ 321,802	$ 306,975
Receivable in two to five years	536,528	401,138
Receivable thereafter	13,600	-
Total promises to give	871,930	708,113
Discount to present value	(37,514)	(22,543)
Allowance for uncollectible promises	(142,350)	(124,150)
Net promises to give	692,066	561,420
Current portion	(273,502)	(260,925)
Non-current portion	$ 418,564	$ 300,495

The estimated cash flows for promises to give were discounted over the collection period using a discount range of 0.76% to 2.20% as determined by management.

NOTE 4 BENEFICIAL INTEREST IN TRUST

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

NOTE 5 INVESTMENTS

CCA holds investments for the deferred compensation plan totaling $110,946 and $47,606 as of the years ended December 31, 2017 and 2016, respectively. The investments are funds of funds of variable insurance products and are valued at net asset value, based on information provided by the investment manager.

NOTE 6 FAIR VALUE MEASUREMENTS

The following is a summary of the fair value of financial instruments at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis:				
Beneficial interest in trust	$ -	$ -	$ 78,552	$ 78,552
Total fair value of financial instruments	$ -	$ -	$ 78,552	$ 78,552

The following is a summary of the fair value of financial instruments at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis:				
Investments held by CCAF	$ -	$187,313	$ -	187,313
Beneficial interest in trust	-	-	58,833	58,833
Total fair value of financial instruments	$ -	$ 187,313	$ 58,833	$ 246,146

NOTE 6 FAIR VALUE MEASUREMENTS (Continued)

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

The following is a reconciliation of beginning and ending balances of assets measured at fair value on a recurring basis using significant unobservable (Level 3) inputs during the year ended December 31, 2017 and 2016:

	Beneficial Interest in Trusts
December 31, 2015	$ 80,346
Distributions received from interests in perpetual trusts	(23,781)
Change in value	2,268
December 31, 2016	58,833
Change in value	19,719
December 31, 2017	$ 78,552

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2017	2016
Land	$ 526,052	$ 526,052
Building and improvements	10,916,360	10,709,719
Furniture, equipment and vehicles	1,578,124	1,670,088
Computers and software	803,806	858,606
	13,824,342	13,764,465
Accumulated depreciation	(6,303,240)	(6,135,249)
	7,521,102	7,629,216
Construction in progress	402,233	404,081
	$ 7,923,335	$ 8,033,297

Depreciation expense was $765,184 and $699,465 for the years ended December 31, 2017 and 2016, respectively. Construction in progress consists of various renovations to facilities that were not yet placed in service as of December 31, 2017 and 2016.

NOTE 8 FORGIVABLE LOANS

Forgivable loans consist of the following at December 31:

	2017	2016
Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2021 in accordance with the CDBG loan agreement. The loan is secured by the building upon which the building improvements have been performed.	$ 79,000	$ 79,000
Community Development Block Grant note payable to the City of Phoenix (CDBG loan) bearing interest at 0%. No payments are due under the note and the note will be forgiven at a rate of 20% per year beginning in 2022 in accordance with the CDBG loan agreement. The loan is secured by the building upon which the building improvements have been performed.	84,000	84,000
	$ 163,000	$ 163,000

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

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Time restricted:		
Promises to give	$ 638,679	$ 561,420
Grant receivable	10,000	-
Beneficial interest in trusts	78,552	58,833
Time and purpose restricted:		
Mesa shelter building - to utilize as a child care center	1,740,083	1,796,853
Campus expansion	290,000	-
Early Education Services	120,833	228,000
Emergency Children's Shelters	-	93,500
Other	-	2,500
Total temporarily restricted net assets	$ 2,878,147	$ 2,741,106

NOTE 10 SPECIAL EVENTS

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

	2017	2016
Special events contributions	$ 1,025,963	$ 838,909
Special events income	245,388	242,222
Direct benefit to donors	(123,665)	(97,322)
	$ 1,147,686	$ 983,809

NOTE 11 DONATED SERVICES AND USE OF FACILITIES

Donated services and use of facilities for the year ended December 31, 2017 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	$ 49,404	$ 7,801	$ 60,752	$ 117,957
Use of facilities	42,000	-	-	42,000
	$ 91,404	$ 7,801	$ 60,752	$ 159,957

Donated services and use of facilities for the year ended December 31, 2016 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	66,778	62,693	3,976	$ 133,447
Use of facilities	88,208	-	-	88,208
	$ 154,986	$ 62,693	$ 3,976	$ 221,655

NOTE 12 OPERATING LEASES

CCA has lease agreements for buildings and equipment, expiring in November 2022. Minimum future rental payments under these non-cancelable operating leases are as follows:

Years Ending December 31,		
2018	$	138,998
2019		113,474
2020		76,688
2021		41,680
2022		7,126
	$	377,966

Lease expense was $218,538 and $281,585, respectively, for the years ended December 31, 2017 and 2016. This amount includes donated use of facilities valued at $42,000 and $88,208 for the years ended December 31, 2017 and 2016.

NOTE 13 RETIREMENT PLANS

CCA sponsors a 401(k) retirement plan (“the Plan”) for the benefit of its eligible employees. Under the terms of the Plan, employees may make voluntary contributions, subject to Internal Revenue Service limitations. CCA may make annual discretionary contributions to the Plan. CCA made employer contributions of approximately $430,000 and $145,000 during the years ended December 31, 2017 and 2016, respectively.

CCA also has a deferred compensation plan for the benefit of certain eligible employees, which qualifies under Section 457 of the Internal Revenue Code. CCA holds investments for the sole purpose of funding deferred compensation liabilities. According to the terms of the deferred compensation agreement, all earnings or losses on the deferred compensation amounts to be invested will be allocated directly to the participant in the plan and are recorded to the deferred compensation liability. The deferred compensation plan assets in the amount of $110,946 and $47,606 as of December 31, 2017 and 2016 are included in investments on the accompanying statements of financial position. During the years ended December 31, 2017 and 2016, CCA made employer contributions to the deferred compensation plan in the amount of approximately $55,000 and $41,000, respectively.

NOTE 14 CONTINGENCIES

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

NOTE 15 SUBSEQUENT EVENTS

On February 28, 2018, CCA obtained a promissory note from the City of Mesa for $300,000 to purchase the building at 827 N Country Club Drive, Mesa, Arizona. The term of the note is six years, and during the term CCA is not required to make any payments to the City of Mesa unless there is an event of default. Upon expiration of the term of the note, the entire debt of the note will be forgiven. As of December 31, 2017, CCA had $63,000 in an escrow deposit towards the purchase of this building.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2016-14, *Not-For-Profit Entities: Presentation of Financial Statements of Not-For-Profit Entities.* This Standard is effective for years beginning after December 15, 2017. The Standard requires several changes to how not-for-profit entities report certain financial statement information including net asset classification, cash flows, underwater endowment funds, investment expenses, and other areas. In addition, the new guidance requires disclosures on the entity's liquidity policy and quantitative disclosures that communicate the availability of financial assets to meet cash needs for general expenditures within one year of the Statement of Financial Position date. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers*. For nonpublic companies, this standard must be adopted for annual reporting periods beginning after December 15, 2018. The standard's core principle is that an organization will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled in exchange for those goods or services. This standard also includes expanded disclosure requirements that result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

NOTE 16 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Financial Accounting Standards Board has issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard's core principle is the recognition of lease assets and lease liabilities by lessees for substantially all leases, including those currently classified as operating leases. Under the ASU, a lessee will be required to recognize assets and liabilities for operating and finance leases with terms of more than 12 months. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.