Financial Reports

CHILD CRISIS ARIZONA FOUNDATION

Mesa, Arizona

FINANCIAL STATEMENTS

Year Ended December 31, 2017

Henry+Horne

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Child Crisis Arizona Foundation

We have audited the accompanying financial statements of Child Crisis Arizona Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Henry + Horne, LLP

Tempe, Arizona
April 30, 2018

CHILD CRISIS ARIZONA FOUNDATION
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS	
Investments	$ 10,494,958
Due from affiliate	29,885
TOTAL ASSETS	$ 10,524,843
NET ASSETS	
Unrestricted	$ 10,524,843
TOTAL NET ASSETS	10,524,843
TOTAL LIABILITIES AND NET ASSETS	$ 10,524,843

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2017

REVENUE	
Interest, dividends and other	$ 251,980
Realized gain on sale of investments	677,205
Unrealized gain on investments	446,334
TOTAL REVENUE	1,375,519
EXPENSES	
Program expenses:	
Donations to Child Crisis Arizona	500,000
Management and general expenses:	
Professional fees	21,311
Insurance expense	3,388
	24,699
TOTAL EXPENSES	524,699
CHANGE IN NET ASSETS BEFORE TRANSFERS FROM AFFILIATE	850,820
TRANSFERS FROM AFFILIATE	39,100
CHANGE IN NET ASSETS	889,920
NET ASSETS, BEGINNING OF YEAR	9,634,923
NET ASSETS, END OF YEAR	$ 10,524,843

CHILD CRISIS ARIZONA FOUNDATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 889,920
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Net realized and unrealized investment gain	(1,123,539)
Decrease (increase) in:	
Due from affiliate	(16,927)
Increase (decrease) in:	
Investments held for Child Crisis Arizona	(187,313)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(437,859)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(2,639,141)
Proceeds from sale of investments	3,077,000
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	437,859
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	-
CASH AND CASH EQUIVALENTS, END OF YEAR	$ -

See accompanying notes.

NOTE 1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The principal purpose of Child Crisis Arizona Foundation (the Foundation) is to steward and manage investments in order to support the programs of Child Crisis Arizona (CCA). The Board of Directors of the Foundation and CCA had three common board members as of December 31, 2017.

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.

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 as determined by quoted market prices in active markets or by net asset value as determined by third parties. Investment income or loss (including unrealized and realized gains and losses on investments, interest and dividends) is included in the changes in unrestricted net assets unless the associated income or loss is temporarily restricted.

Investments 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 investments are held by the Foundation on behalf of CCA and any related income earned on these invested amounts is allocated to CCA.

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.

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.

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, 2017, 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 year ended December 31, 2017, the Foundation did not have any income tax related interest and penalty expense.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Significant estimates in the accompanying financial statements include the fair value of investments.

Date of Management's Review

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through April 30, 2018, the date the financial statements were available to be issued.

NOTE 2 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, 2017:

	Level 1	Level 2	Level 3	Total
Mutual funds	$ 10,494,521	$ -	$ -	$ 10,494,521
Money market	437	-	-	437
Total investments	$ 10,494,958	$ -	$ -	$ 10,494,958

NOTE 3 INVESTMENTS HELD FOR CHILD CRISIS ARIZONA

During the year ended June 30, 2012, CCA transferred $125,000 to the Foundation to be invested as part of its windfall gift acceptance policy. During the year ended December 31, 2017, the Foundation transferred $196,000 back to CCA that consisted of the original amount transferred plus the earnings on investments and did not hold any investments for CCA as of December 31, 2017.

NOTE 4 RELATED PARTY TRANSACTIONS

The Foundation contributed $500,000 to CCA during the year ended December 31, 2017.

During the year ended December 31, 2017, CCA paid for operating expenses of the Foundation amounting to $24,699. Also during the year ended December 31, 2017, CCA transferred various funds and contributions to the Foundation amounting to $39,100. An amount of $29,885 receivable from CCA is included in due from affiliate on the statement of financial position at December 31, 2017.

NOTE 5 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.

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.