

CHILD CRISIS ARIZONA FOUNDATION

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

CHILD CRISIS ARIZONA FOUNDATION
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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 statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Arizona Foundation as of December 31, 2018 and 2017, 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 25, 2019

CHILD CRISIS ARIZONA FOUNDATION
 STATEMENTS OF FINANCIAL POSITION
 As of December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Investments	\$ 10,013,043	\$ 10,494,958
Due from affiliate	-	29,885
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 10,013,043</u>	<u>\$ 10,524,843</u>
 LIABILITIES		
Due to affiliate	\$ 196,575	\$ -
Endowment held for Child Crisis Arizona	145,686	-
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>342,261</u>	<u>-</u>
 NET ASSETS		
Without donor restrictions	<u>9,670,782</u>	<u>10,524,843</u>
	<u> </u>	<u> </u>
TOTAL NET ASSETS	<u>9,670,782</u>	<u>10,524,843</u>
	<u> </u>	<u> </u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,013,043</u>	<u>\$ 10,524,843</u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
REVENUE		
Interest, dividends and other	\$ 266,717	\$ 251,980
Realized gain/(loss) on sale of investments	(37,305)	677,205
Unrealized gain/(loss) on investments	<u>(711,327)</u>	<u>446,334</u>
TOTAL REVENUE/(LOSS)	<u>(481,915)</u>	<u>1,375,519</u>
EXPENSES		
Program expenses:		
Donations to Child Crisis Arizona	<u>500,000</u>	<u>500,000</u>
Management and general expenses:		
Professional fees	20,000	21,311
Insurance expense	<u>3,628</u>	<u>3,388</u>
	23,628	24,699
TOTAL EXPENSES	<u>523,628</u>	<u>524,699</u>
CHANGE IN NET ASSETS BEFORE TRANSFERS FROM AFFILIATE	(1,005,543)	850,820
TRANSFERS FROM AFFILIATE	<u>151,482</u>	<u>39,100</u>
CHANGE IN NET ASSETS	(854,061)	889,920
NET ASSETS, BEGINNING OF YEAR	<u>10,524,843</u>	<u>9,634,923</u>
NET ASSETS, END OF YEAR	<u>\$ 9,670,782</u>	<u>\$ 10,524,843</u>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest and dividends received	\$ 266,717	\$ 251,980
Cash received from affiliate	23,628	22,173
Cash paid to affiliate	-	(687,313)
Cash paid for professional fees and insurance	<u>(23,628)</u>	<u>(24,699)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>266,717</u>	<u>(437,859)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(1,112,211)	(2,639,141)
Proceeds from sale of investments	<u>845,494</u>	<u>3,077,000</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(266,717)</u>	<u>437,859</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>

See accompanying notes.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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, 2018 and 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. During the year ended December 31, 2018, the Foundation changed its presentation of the Statements of Cash Flows from the indirect method to the direct 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 the Foundation has the ability to access.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

Fair Value Measurements (Continued)

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

Investments

Investments are recorded at fair value in the statements of financial position. Investment return or loss is included in the statements of activities and consists of interest and dividend income, realized and unrealized gains or losses, less external investment expenses.

Endowment held for Child Crisis Arizona

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

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

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

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, 2018 and 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 years ended December 31, 2018 and 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 25, 2019, the date the financial statements were available to be issued.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation has implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and resulted in renaming the unrestricted net asset class to net assets without donor restrictions, and a new disclosure about liquidity and availability of resources has been added.

CHILD CRISIS ARIZONA FOUNDATION
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2018 and 2017

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, 2018, all of the Foundation's financial assets of \$10,013,043, which represents its investments, are available for general expenditures.

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:

	2018			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 10,012,602	\$ -	\$ -	\$ 10,012,602
Money market	441	-	-	441
Total investments	\$ 10,013,043	\$ -	\$ -	\$ 10,013,043

	2017			Total
	Level 1	Level 2	Level 3	
Mutual funds	\$ 10,494,521	\$ -	\$ -	\$ 10,494,521
Money market	437	-	-	437
Total investments	\$ 10,494,958	\$ -	\$ -	\$ 10,494,958

NOTE 4 ENDOWMENT HELD FOR CHILD CRISIS ARIZONA

The net balance of \$196,575 due to CCA at December 31, 2018 includes a receivable amount of \$145,686 which CCA transferred to the Foundation subsequent to year-end. The amount was transferred by CCA in accordance with its board-designated endowment fund and windfall policies. A corresponding liability was recorded by the Foundation for the endowment balance held by the Foundation on CCA's behalf.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 5 RELATED PARTY TRANSACTIONS

The Foundation contributed \$500,000 to CCA during the years ended December 31, 2018 and 2017. Also, during the years ended December 31, 2018 and 2017, CCA paid for operating expenses of the Foundation amounting to \$23,628 and \$24,699, respectively. Also during the years ended December 31, 2018 and 2017, CCA transferred various funds and contributions to the Foundation amounting to \$151,482 and \$39,100, respectively. The balance in due from (to) CCA includes the following at December 31:

	<u>2018</u>	<u>2017</u>
Operating expenses	\$ 12,053	\$ 29,885
CCA endowment	145,686	-
CCA transfer to Foundation	145,686	-
Foundation donation to CCA	<u>(500,000)</u>	<u>-</u>
	<u>\$ (196,575)</u>	<u>\$ 29,885</u>

NOTE 6 NEW ACCOUNTING PRONOUNCEMENTS

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.

CHILD CRISIS ARIZONA FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2018 and 2017

NOTE 6 NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Financial Accounting Standards Board has issued Accounting Standards Update (“ASU”) No. 2018-08, *Not-For-Profit Entities-Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. For nonpublic companies, the standard must be adopted for annual reporting periods beginning after December 15, 2019. The standard’s core principle is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This ASU should assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional. Management is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.