Financial Reports

Child Crisis Arizona

Safe kids. Strong families.

Mesa, Arizona

FINANCIAL STATEMENTS

Years Ended December 31, 2018 and 2017

Henry+Horne

CHILD CRISIS ARIZONA
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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, 2018 and 2017, 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, 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 23, 2019

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

	2018	2017
ASSETS		
Cash and cash equivalents	$ 4,780,678	$ 6,150,342
Accounts receivable	832,539	1,086,664
Due from affiliate	196,575	-
Promises to give, current portion, net of allowance of $43,050 and $48,300	243,927	273,502
Grants receivable	25,000	30,000
Supplies inventory	143,556	286,549
Prepaid expenses and other assets	356,086	272,861
TOTAL CURRENT ASSETS	6,578,361	8,099,918
PROMISES TO GIVE, net of current portion, unamortized discount and allowance for uncollectible promises of $160,467 and $131,564	370,426	418,564
ESCROW DEPOSIT	-	63,000
BENEFICIAL INTEREST IN TRUST	60,384	78,552
INVESTMENTS		
Unrestricted	2,954,866	-
Deferred compensation plan	180,636	110,946
PROPERTY AND EQUIPMENT, net	8,659,265	7,923,335
ENDOWMENT HELD BY FOUNDATION	145,686	-
TOTAL ASSETS	$ 18,949,624	$ 16,694,315

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENTS OF FINANCIAL POSITION (Continued)
December 31, 2018 and 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 265,304	$ 525,697
Accrued expenses	774,428	498,571
Due to affiliate	-	29,885
Deferred revenue	70,900	72,320
TOTAL CURRENT LIABILITIES	1,110,632	1,126,473
ACCRUED DEFERRED COMPENSATION	180,636	110,946
FORGIVABLE LOANS	550,000	163,000
TOTAL LIABILITIES	1,841,268	1,400,419
NET ASSETS		
Without donor restrictions	13,299,413	12,415,749
With donor restrictions	3,808,943	2,878,147
TOTAL NET ASSETS	17,108,356	15,293,896
TOTAL LIABILITIES AND NET ASSETS	$ 18,949,624	$ 16,694,315

See accompanying notes.

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

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, SUPPORT AND OTHER INCOME						
Contributions and grants	$ 5,467,383	$ 1,523,579	$ 6,990,962	$ 5,510,704	$ 724,529	$ 6,235,233
Special events contributions and income, net	951,315	-	951,315	1,147,686	-	1,147,686
In-kind donated property, supplies, and services	628,942	-	628,942	719,941	-	719,941
Contract revenue	8,434,471	-	8,434,471	8,059,874	250,000	8,309,874
Other income	76,880	-	76,880	59,958	-	59,958
Release from time restrictions	497,012	(497,012)	-	647,270	(647,270)	-
Release from time and purpose restrictions	77,603	(77,603)	-	209,937	(209,937)	-
	16,133,606	948,964	17,082,570	16,355,370	117,322	16,472,692
OPERATING EXPENSES						
Program services	11,583,587	-	11,583,587	10,839,076	-	10,839,076
Management and general	1,878,423	-	1,878,423	1,656,253	-	1,656,253
Fundraising	1,590,977	-	1,590,977	1,411,308	-	1,411,308
TOTAL OPERATING EXPENSES	15,052,987	-	15,052,987	13,906,637	-	13,906,637
CHANGE IN NET ASSETS BEFORE NON-OPERATING INCOME (EXPENSES)	1,080,619	948,964	2,029,583	2,448,733	117,322	2,566,055
NON-OPERATING ACTIVITIES						
Investment return	(45,473)	(18,168)	(63,641)	8,144	19,719	27,863
Loss on retirement of fixed assets	-	-	-	(19,115)	-	(19,115)
Transfers to affiliate	(151,482)	-	(151,482)	(39,100)	-	(39,100)
TOTAL NON-OPERATING INCOME (EXPENSES)	(196,955)	(18,168)	(215,123)	(50,071)	19,719	(30,352)
CHANGE IN NET ASSETS	883,664	930,796	1,814,460	2,398,662	137,041	2,535,703
NET ASSETS, BEGINNING OF YEAR	12,415,749	2,878,147	15,293,896	10,017,087	2,741,106	12,758,193
NET ASSETS, END OF YEAR	$ 13,299,413	$ 3,808,943	$ 17,108,356	$ 12,415,749	$ 2,878,147	$ 15,293,896

See accompanying notes.

CHILD CRISIS ARIZONA
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services							
	Prevention	Intervention	Early Education	Total Program Services	Management and General	Fundraising Activities	Direct Donor Benefit	Total
Salaries and wages	$ 579,544	$ 2,990,603	$ 2,346,058	$ 5,916,205	$ 1,106,698	$ 684,792	$ -	$ 7,707,695
Payroll taxes and benefits	189,499	846,540	717,252	1,753,291	314,822	215,218	-	2,283,331
Training and travel	5,952	29,078	89,593	124,623	15,156	56,856	-	196,635
Program supplies	200,639	697,295	423,722	1,321,656	-	917	-	1,322,573
Office and janitorial supplies	39,272	290,404	128,745	458,421	121,943	88,133	-	668,497
Marketing	600	413	30	1,043	59	86,487	-	87,589
Insurance	3,758	62,563	34,575	100,896	23,908	4,067	-	128,871
Repairs and maintenance	10,294	272,545	179,238	462,077	48,378	14,968	-	525,423
Telephone and utilities	19,595	187,348	106,384	313,327	38,144	24,370	-	375,841
Transportation	20,683	109,647	15,305	145,635	13,480	4,874	-	163,989
Banking fees	-	-	-	-	1,028	105,808	-	106,836
Professional services	16,029	99,095	73,284	188,408	76,246	24,409	-	289,063
Special event expenses	-	-	-	-	-	145,097	121,312	266,409
Building rent	18,304	42,000	-	60,304	-	-	-	60,304
Bad debt expense	-	-	-	-	-	74,627	-	74,627
Depreciation	12,662	336,641	332,982	682,285	64,202	34,014	-	780,501
Miscellaneous	1,406	34,056	19,954	55,416	54,359	26,340	-	136,115
	1,118,237	5,998,228	4,467,122	11,583,587	1,878,423	1,590,977	121,312	15,174,299
Special events venue and food	-	-	-	-	-	-	(121,312)	(121,312)
TOTAL EXPENSES	$ 1,118,237	$ 5,998,228	$ 4,467,122	$ 11,583,587	$ 1,878,423	$ 1,590,977	$ -	$ 15,052,987

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	Direct Donor Benefit	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	123,665	287,578
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
	2,046,316	4,817,044	3,975,716	10,839,076	1,656,253	1,411,308	123,665	14,030,302
Special events venue and food	-	-	-	-	-	-	(123,665)	(123,665)
TOTAL EXPENSES	$ 2,046,316	$ 4,817,044	$ 3,975,716	$ 10,839,076	$ 1,656,253	$ 1,411,308	$ -	$ 13,906,637

See accompanying notes.

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

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from funding sources	$ 8,688,596	$ 7,984,420
Cash received from donors and grants	6,573,675	6,296,077
Cash received from special events	1,071,207	1,312,294
Miscellaneous receipts	76,548	59,408
Cash paid to employees	(7,431,838)	(7,631,704)
Cash paid for benefits and taxes	(2,283,331)	(1,992,853)
Cash paid to suppliers and vendors	(4,010,785)	(2,779,361)
Cash paid to affiliate	(23,628)	(22,173)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,660,444	3,226,108
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(4,505,943)	-
Proceeds from sale of investments	1,505,943	-
Sale and transfer of investments from CCAF	-	196,000
Proceeds from sale of property and equipment	-	10,000
Purchases of property and equipment	(1,417,108)	(647,592)
Payment of escrow deposit for property purchase	-	(63,000)
NET CASH USED IN INVESTING ACTIVITIES	(4,417,108)	(504,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from forgivable loans	387,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,369,664)	2,721,516
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,150,342	3,428,826
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,780,678	$ 6,150,342
NON-CASH ACTIVITIES:		
Donated services and facilities	$ 109,645	$ 159,957
Donated inventory items	336,210	428,680
Donated vehicle and other non-cash items	183,087	131,304
	$ 628,942	$ 719,941

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, 2018 and 2017. 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, family preservation, 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. The family preservation intervention program provides services through a series of home visits to strengthen families, keep children safe at home, and address any challenges families may be facing. 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 statements 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. 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. During the year ended December 31, 2018, CCA changed its presentation of the Statements of Cash Flows from the indirect method to the direct method.

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, 2018 and 2017 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, 2018 and 2017 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 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 recorded at fair value or net asset 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 and losses, less external investment expenses.

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.

The endowment 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.

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.

Endowment Funds

CCA's endowment funds consist of a donor-restricted fund and a fund designated by the Board 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.

CCA 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 continue in perpetuity.

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

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

Endowment Funds (Continued)

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

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

Investment Return Objectives, Risk Parameters and Strategies. CCA 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. CCA's policy is to appropriate a certain amount for distribution each year. The amount is calculated at a target of 5% of the twelve-month average as measured on September 30^{th} of each calendar year (measurement date). The contribution shall be distributed to CCA in the calendar year following the measurement date upon request. In establishing this policy, CCA 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.

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

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 and deferred revenue is recorded to the extent the payments received exceed the revenue earned.

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.

Net Assets

CCA 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.

- Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions. 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. Contributions, grants and bequests, including promises to give, are received and recorded as net assets with donor restrictions if the donor has restricted the time or purpose of the contribution. 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 Organization'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.

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

Functional Allocation of Expenses

The 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 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 recognizes uncertain tax positions 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, 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, 2018 and 2017, CCA did not have any income tax related interest and penalty expense.

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.

Date of Management's Review

In preparing these financial statements, CCA has evaluated events and transactions for potential recognition or disclosure through April 23, 2019, the date the financial statements were available to be issued.

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

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (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 Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented and resulted in the temporarily restricted net asset balance ($2,878,147) and unrestricted net asset balance ($12,415,749) at December 31, 2017 being renamed net assets with donor restrictions and net assets without donor restrictions, respectively. Also, a new disclosure about liquidity and availability of resources has been added.

NOTE 2 LIQUIDITY AND AVAILABILITY

CCA 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, CCA 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)

CCA 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. CCA excludes assets with donor restrictions and assets expected to be realized longer than one year from the balance sheet date when determining its financial assets available for general expenditures.

As of December 31, 2018, the following table shows the total financial assets held by CCA and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures obligations.

Financial assets at year end	
Cash and cash equivalents	$ 4,780,678
Investments in mutual funds, at market value	2,954,866
Accounts receivable	832,539
Promises to give, net	614,353
Grants receivable	25,000
Foundation contribution receivable, net	196,575
Beneficial interests in trusts	60,384
Endowment fund held by Foundation	145,686
Total financial assets	9,610,081
Adjustments	
Cash - with donor restictions	(1,560,507)
Promises to give > 1 year	(370,426)
Beneficial interest in trusts	(60,384)
Endowment fund held by Foundation	(145,686)
Financial assets available for general expenditures	$ 7,473,078

NOTE 3 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 and accounts 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.

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, 2018, and for the year ended December 31, 2018, is as follows:

	Accounts Receivable	%	Revenue	%
Arizona Department of Child Safety	$ 437,784	53%	$ 2,468,739	29%
First Things First	17,024	2%	916,621	11%
VOCA	71,671	9%	849,607	10%
Early Head Start	220,677	27%	3,108,613	37%
Other	85,383	9%	1,090,891	13%
	$ 832,539	100%	$ 8,434,471	100%

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%	$ 2,052,890	25%
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%	903,040	11%
	$ 1,086,664	100%	$ 8,309,874	100%

Concentrations of credit risk with respect to 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 and promises to give.

NOTE 4 PROMISES TO GIVE

Promises to give consist of the following at December 31:

	2018	2017
Receivable in less than one year	$ 286,977	$ 321,802
Receivable in two to five years	508,993	536,528
Receivable thereafter	21,900	13,600
Total promises to give	817,870	871,930
Discount to present value	(45,767)	(37,514)
Allowance for uncollectible promises	(157,750)	(142,350)
Net promises to give	614,353	692,066
Current portion	(243,927)	(273,502)
Non-current portion	$ 370,426	$ 418,564

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 5 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 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Investments with readily determinable fair values are measured at fair value in the statements 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.

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Beneficial interest in trusts are valued based on expected future cash flows discounted to present value.

The following is a summary of financial instruments measured at fair value on a recurring basis at December 31:

	2018			
	Level 1	Level 2	Level 3	Total
Unresticted investments:				
Money market funds	$ 7	$ -	$ -	$ 7
Mutual funds	2,954,859	-	-	2,954,859
	$ 2,954,866	$ -	$ -	$ 2,954,866
Deferred compensation plan investments:				
Mutual funds	$ 180,636	$ -	$ -	$ 180,636
Endowment held by CCAF	$ -	$ 145,686	$ -	$ 145,686
Beneficial interest in trust	$ -	$ -	$ 60,384	$ 60,384

	2017			
	Level 1	Level 2	Level 3	Total
Deferred compensation plan investments measured at net asset value				$ 110,946
Beneficial interest in trust	$ -	$ -	$ 78,552	$ 78,552

NOTE 6 INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Investment return is summarized as follows for the years ended December 31:

	2018	2017
Interest and dividends	$ 61,586	$ 1,108
Realized loss	(109)	(40)
Unrealized gain/(loss)	(106,950)	7,076
Change in value of beneficial interest in trust	(18,168)	19,719
Investment return	$ (63,641)	$ 27,863

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, 2018 and 2017:

	Beneficial Interest in Trusts
December 31, 2016	$ 58,833
Change in value	19,719
December 31, 2017	78,552
Change in value	(18,168)
December 31, 2018	$ 60,384

NOTE 7 PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	2018	2017
Land	$ 912,867	$ 526,052
Building and improvements	11,365,198	10,916,360
Furniture, equipment and vehicles	2,014,951	1,578,124
Computers and software	803,806	803,806
	15,096,822	13,824,342
Accumulated depreciation	(7,068,341)	(6,303,240)
	8,028,481	7,521,102
Construction in progress	630,784	402,233
	$ 8,659,265	$ 7,923,335

Depreciation expense was $780,501 and $765,184 for the years ended December 31, 2018 and 2017, respectively. Construction in progress consists of various renovations to facilities that were not yet placed in service as of December 31, 2018 and 2017.

NOTE 8 FORGIVABLE LOANS

Forgivable loans consist of the following at December 31:

	2018	2017
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
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	-
	$ 550,000	$ 163,000

NOTE 8 FORGIVABLE LOANS (Continued)

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 varying periods up to 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 ENDOWMENT FUNDS

Endowment net asset composition by type of fund as of December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 145,186	$ -	$ 145,186
Donor-restricted endowment funds	-	500	500
	$ 145,186	$ 500	$ 145,686

Changes in endowment funds for the year ended December 31, 2018 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment funds, December 31, 2017	$ -	$ -	$ -
Contributions	145,186	500	145,686
Endowment funds, December 31, 2018	$ 145,186	$ 500	$ 145,686

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	2018	2017
Time restricted:		
Promises to give	$ 597,725	$ 638,679
Grant receivable	5,000	10,000
Contributions	47,200	-
Beneficial interest in trusts	60,384	78,552
Time and purpose restricted:		
Mesa shelter building - to utilize as a child care center	1,683,313	1,740,083
Campus expansion	835,305	290,000
Early education services	25,000	120,833
Mesa Preschool	460,000	-
Family education	75,000	-
Other	19,516	-
Endowments - subject to spending policy and appropriation	500	-
Total net assets with donor restrictions	$ 3,808,943	$ 2,878,147

NOTE 11 SPECIAL EVENTS

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

	2018	2017
Special events contributions	$ 851,886	$ 1,025,963
Special events income	220,741	245,388
Direct benefit to donors	(121,312)	(123,665)
	$ 951,315	$ 1,147,686

NOTE 12 DONATED SERVICES AND USE OF FACILITIES

Donated services and use of facilities for the year ended December 31, 2018 are as follows:

	Program Services	Management and General	Fundraising	Total
Donated professional services	$ 38,212	$ 11,666	$ 17,767	$ 67,645
Use of facilities	42,000	-	-	42,000
	$ 80,212	$ 11,666	$ 17,767	$ 109,645

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

NOTE 13 OPERATING LEASES

CCA has lease agreements for buildings and equipment, expiring through December 2023. Minimum future rental payments under these non-cancelable operating leases are as follows:

Years Ending December 31,	
2019	$ 121,106
2020	89,498
2021	54,108
2022	18,083
2023	10,285
	$ 293,080

Lease expense was $213,145 and $218,538, respectively, for the years ended December 31, 2018 and 2017. This amount includes donated use of facilities valued at $42,000 for each of the years ended December 31, 2018 and 2017.

NOTE 14 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 $446,000 and $484,000 during the years ended December 31, 2018 and 2017, 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 $180,636 and $110,946 as of December 31, 2018 and 2017, are included in investments on the accompanying statements of financial position. During the years ended December 31, 2018 and 2017, CCA made employer contributions to the deferred compensation plan in the amount of approximately $83,000 and $55,000, respectively.

NOTE 15 RELATED PARTY TRANSACTIONS

During the years ended December 31, 2018 and 2017, CCA paid for operating expenses of CCAF 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 CCAF amounting to $151,482 and $39,100, respectively, recorded as a transfer to affiliate on the accompanying statements of activities.

The balance in due from (to) CCAF includes the following at December 31:

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

NOTE 16 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 17 SUBSEQUENT EVENTS

In March 2019, the purchase of a property by CCA in the amount of $365,912 was completed.

NOTE 18 NEW ACCOUNTING PRONOUNCEMENTS

FASB 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.

FASB 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.

FASB 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.