

SOUTHERN ARIZONA CHILDREN'S
ADVOCACY CENTER, INC.
DBA Children's Advocacy Center of Southern
Arizona
AUDITED FINANCIAL STATEMENTS AS OF
AND FOR THE YEARS ENDED JUNE 30, 2022
AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Tucson, Arizona

Report on the Financial Statements

Opinion on the Financial Statements

I have audited the financial statements of Southern Arizona Children's Advocacy Center, Inc. DBA Children's Advocacy Center of Southern Arizona (the Center), an Arizona nonprofit corporation, which comprise the statements of financial position as of June 20, 2022 and 2021, and the related statements of activities and changes in net assets and cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 20, 2022 and 2021 and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America (GAAS). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Center and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and 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 the combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about

the Center's ability to continue as a going concern for at least one year beyond this report date.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Consider whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Center's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control matters that I identified during the audit.


Tucson, Arizona
October 26, 2022

STATEMENT 1

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

| Assets | 6/30/2022 | 6/30/2021 |
|--|---------------------|---------------------|
| Cash and equivalents | \$ 489,482 | \$ 611,234 |
| Cash and equivalents- restricted | 52,415 | 21,266 |
| Investment -Jewish Community Foundation | 12,415 | 12,006 |
| Certificates of deposit | 254,000 | 182,000 |
| Grants and contracts receivable, at net realizable value | 325,188 | 338,981 |
| Prepaid expenses | 11,042 | 15,727 |
| Property and equipment: | | |
| Equipment | 255,071 | 209,647 |
| Van | 33,471 | 17,500 |
| Furniture | 136,818 | 136,818 |
| Leasehold improvements | 23,342 | 23,342 |
| Accumulated depreciation | (294,351) | (266,777) |
| Property and equipment, net | <u>154,351</u> | <u>120,530</u> |
| Total assets | <u>\$ 1,298,893</u> | <u>\$ 1,301,744</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 31,916 | \$ 13,864 |
| Accrued vacation pay | 32,648 | 40,666 |
| Accrued payroll and related taxes | 35,008 | 41,083 |
| Deferred revenue | 1,100 | 9,000 |
| Total liabilities | <u>100,672</u> | <u>104,613</u> |
| Net Assets | | |
| Without donor restrictions | 1,145,806 | 1,175,865 |
| With donor restrictions | 52,415 | 21,266 |
| Total net assets | <u>1,198,221</u> | <u>1,197,131</u> |
| Total liabilities and net assets | <u>\$ 1,298,893</u> | <u>\$ 1,301,744</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT 2

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended June 30, 2022 and 2021

| | 6/30/2022 | | 6/30/2021 |
|---|---|--|---------------------------|
| | Without Donor Restrictions | With Donor Restrictions | |
| Revenues | | | Totals |
| Grant and program revenue | | | |
| Government contracts and grants | \$1,097,547 | | \$1,262,314 |
| Program revenue | 369,452 | | 335,988 |
| Public support and other revenue | | | |
| Contributions | 202,745 | \$40,000 | 286,358 |
| In-kind donations | 16,696 | | 42,648 |
| Clothing bin net proceeds | 14,164 | | 16,550 |
| Special events, net of expenses of \$20,471 | 23,564 | | |
| Investment and other income | (910) | 409 | 2,974 |
| Releases from restrictions-purpose satisfied | 9,260 | (9,260) | |
| Total revenues | <u>1,732,518</u> | <u>31,149</u> | <u>1,946,832</u> |
| Expenses | | | |
| Program | 1,762,577 | | 1,537,139 |
| General and Administrative | | | 89,717 |
| Fundraising | | | 74,281 |
| Total expenses | <u>1,762,577</u> | | <u>1,701,137</u> |
| Changes in net assets | (30,059) | 31,149 | 245,695 |
| Net assets, beginning of year | <u>1,175,865</u> | <u>21,266</u> | <u>1,197,131</u> |
| Net assets, end of year | <u><u>\$1,145,806</u></u> | <u><u>\$52,415</u></u> | <u><u>\$1,197,131</u></u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT 3

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

| | 6/30/2022 | 6/30/2021 |
|--|------------------|------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 1,090 | \$ 245,695 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 27,574 | 20,470 |
| Change in fair market value of investment | | (2,458) |
| Change in valuation allowance for doubtful accounts | | 1,839 |
| In-kind donation of van | | (17,500) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in grants and contracts receivable | 13,793 | (130,510) |
| Decrease (increase) in prepaid expenses | 4,685 | (11,885) |
| Increase (decrease) in accounts payable | 18,052 | (10,109) |
| Increase (decrease) in accrued vacation pay | (8,018) | 9,556 |
| Decrease in accrued payroll and related taxes | (6,075) | (5,308) |
| Increase (decrease) in deferred revenue | (7,900) | 9,000 |
| Net cash provided by operating activities | 43,201 | 108,790 |
| Cash flows from investing activities | | |
| Purchases of property and equipment | (61,395) | (15,934) |
| Purchases of investments at Jewish community Foundation | (409) | |
| Purchases of certificates of deposit | (254,000) | (82,000) |
| Proceeds from sale of certificate of deposit | 182,000 | 150,000 |
| Net cash provided by (used in) investing activities | (133,804) | 52,066 |
| Net change in cash and equivalents | (90,603) | 160,856 |
| Cash, restricted cash and equivalents, beginning of year | 632,500 | 471,644 |
| Cash, restricted cash and equivalents, end of year | \$ 541,897 | \$ 632,500 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | - | - |
| Cash paid during the year for income taxes | - | - |
| In-Kind donations received | \$ 16,696 | \$ 42,648 |

The accompanying notes are an integral part of these financial statements.

STATEMENT 4

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2022

| | <u>Programs</u> | <u>General and Administrative Fundraising</u> | | <u>Totals</u> |
|-------------------------------------|--------------------|---|-----------------|--------------------|
| Payroll | \$948,676 | \$39,687 | \$39,790 | \$1,028,153 |
| Payroll taxes and employee benefits | 174,396 | 7,296 | 7,315 | 189,007 |
| Small equipment and computers | 35,454 | 1,483 | 1,487 | 38,424 |
| Medical contract expenses | 119,056 | | | 119,056 |
| Clinical and prevention expenses | 80,702 | | | 80,702 |
| Dues and subscriptions | 9,067 | 379 | 380 | 9,826 |
| Insurance | 22,624 | 946 | 949 | 24,519 |
| Occupancy | 64,589 | 2,702 | 2,709 | 70,000 |
| Office expenses | 15,030 | 629 | 630 | 16,289 |
| Postage and printing | 13,455 | 563 | 564 | 14,582 |
| Professional fees | 65,940 | 2,759 | 2,766 | 71,465 |
| Promotion | 1,843 | 642 | 14,144 | 16,629 |
| Staff training | 35,014 | 1,465 | 1,469 | 37,948 |
| Travel | 12,233 | 512 | 513 | 13,257 |
| Miscellaneous | 4,748 | 199 | 199 | 5,146 |
| Total expenses before depreciation | 1,602,826 | 59,262 | 72,915 | 1,735,003 |
| Depreciation | 25,473 | 942 | 1,159 | 27,574 |
| TOTAL FUNCTIONAL EXPENSES | <u>\$1,628,299</u> | <u>\$60,204</u> | <u>\$74,074</u> | <u>\$1,762,577</u> |

The accompanying notes are an integral part of these financial statements.

STATEMENT 4

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

| | <u>Programs</u> | <u>General and Administrative</u> | <u>Fundraising</u> | <u>Totals</u> |
|--------------------------------------|----------------------------------|---------------------------------------|-------------------------------|----------------------------------|
| Payroll | \$872,468 | \$59,462 | \$46,064 | \$977,994 |
| Payroll taxes and employee benefits | 138,880 | 9,465 | 7,332 | 155,677 |
| Small equipment and computers | 45,462 | 3,098 | 2,400 | 50,960 |
| Medical contract expenses | 127,245 | | | 127,245 |
| Clinical and prevention expenses | 90,839 | | | 90,839 |
| Insurance | 15,918 | 1,085 | 840 | 17,843 |
| Occupancy | 58,688 | 4,000 | 3,099 | 65,787 |
| Office expenses | 11,722 | 799 | 619 | 13,140 |
| Postage and printing | 11,553 | 787 | 610 | 12,950 |
| Professional fees | 39,433 | 2,687 | 2,082 | 44,202 |
| Promotion | 72,050 | 4,910 | 8,526 | 85,486 |
| Staff training | 12,571 | 857 | 664 | 14,092 |
| Travel | 915 | 62 | 48 | 1,025 |
| Website | 12,035 | 820 | 635 | 13,490 |
| Miscellaneous | 8,865 | 604 | 468 | 9,937 |
| Total expenses before depreciation | <u>1,518,643</u> | <u>88,637</u> | <u>73,387</u> | <u>1,680,667</u> |
| Depreciation | <u>18,496</u> | <u>1,080</u> | <u>894</u> | <u>20,470</u> |
| TOTAL FUNCTIONAL EXPENSES | <u><u>\$1,537,139</u></u> | <u><u>\$89,717</u></u> | <u><u>\$74,281</u></u> | <u><u>\$1,701,137</u></u> |

The accompanying notes are an integral part of these financial statements.

Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

1. Nature of Operations

Southern Arizona Children's Advocacy Center, Inc. (the Center) has been an Arizona non-profit corporation since May 13, 1996 that serves to support and respond to children who are victims of sexual assault, physical abuse, or witness to violence. The Center's mission is to protect and support children through a coordinated response to child maltreatment that includes intervention, assessment and prevention. Effective February 2020 the Center commenced operating under the name Children's Advocacy Center of Southern Arizona.

2. Summary of Significant Accounting Policies

The significant accounting and reporting policies used by the Center are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Presentation

The Center follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets accounting principles generally accepted in the United States of America ("GAAP") that the Center follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB are to the FASB Accounting Standards Codification ("ASC").

The Center's financial statements have been prepared in accordance with standards of accounting and financial reporting under FASB issued Accounting Standards Update (ASU) No. 2016-14, "Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities" and Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers" (Topic 606).

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets having similar characteristics have been combined into similar categories as follows:

Without Donor Restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in its corporate documents and which it operates, the purposes specified in its corporate documents and application for tax-exempt status, and any limits resulting from agreements with grantor agencies and

Southern Arizona Children’s Advocacy Center, Inc.
DBA Children’s Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

Basis of Presentation (Continued)

Without Donor Restrictions (continued) – others entered into in the course of its operations.

With Donor Restrictions – Net assets with donor restrictions include contributed net assets for which donors have imposed future time and particular purpose restrictions. The Center’s unspent contributions are classified in this class if the donor limited their use.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Recent New Major Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, “Leases” (topic 842), requiring lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use assets and to disclose key information about lease agreements. The guidance is effective for entities’ fiscal years beginning after December 15, 2021 and early adoption is permitted. The Center is currently evaluating the impact of the pronouncement and anticipates the adoption may have a material impact on the financial statements due to its long-term lease for its offices with Pima County.

Revenue Recognition

Grants and Contracts - The Center accounts for its government funded grants and contract revenues as exchange transactions. Revenue under cost reimbursement grants and contracts are recognized when costs are incurred or agreed-upon work is performed in accordance with the applicable agreements. Amounts received under unit rate contracts and client fees are earned when services are provided. A receivable is recorded to the extent contract revenue exceeds payment received; conversely, advances in excess of costs incurred under grants are deferred and recognized as revenue when the related expense is incurred or service rendered. A receivable is recorded to the extent revenue recognized exceeds payment received; conversely, advances in excess of costs incurred or work performed under government funded grants and contracts are deferred and recognized as revenue when the related cost is incurred.

Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributions - Contributions restricted by the donor for particular operating purposes or for a particular operating period are reported as revenues in the with donor restrictions net asset group. Once the Center has complied with all of the specific restrictions, the contribution is reclassified to the net asset without donor restrictions group as a net asset released from restrictions. This reclassification increases net assets without donor restrictions and decreases net assets with donor restrictions.

Donated Goods, Services and Facilities - Donated goods and services are recognized as in-kind donations at their fair market value. Donated services are only recognized when the services are received and (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation. Although the Center utilizes the services of outside volunteers to perform a variety of tasks that assist the Center, the fair value of all these volunteer services is not reflected in the accompanying financial statements because the above criteria are not met.

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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For financial statement reporting purposes, the Center considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

Certificates of Deposit

Certificates of deposit are carried at the original cost, which approximates their market value.

Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

Accounts Receivable

The Center's funding sources are primarily foundations and governmental agencies. The Center grants credit to these agencies on an uncollateralized basis. The carrying amount of accounts, grants, and contracts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. The adjustment to net realizable value is based on management's assessment of the collectability of specific accounts and the aging of accounts receivable. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

Property and Equipment

Property and equipment are stated at cost if purchased or at fair value at date of acquisition if donated. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method, ranging from five to fifteen years.

The Center's policy is to capitalize expenditures for property and equipment and donated property and equipment received that exceed \$1,500 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets. Repairs and maintenance for normal upkeep are charged to expense as incurred.

The Center periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. Through June 30, 2021 and 2020 the Center had not experienced impairment losses on its long-lived assets.

Advertising and Promotional

The Center expenses advertising and promotional costs as they are incurred. Total advertising and promotional expenses for the years ended June 30, 2022 and 2021 were \$71,465 and \$85,486, respectively.

Functional Allocation of Expenses

The cost of providing the programs and other activities is summarized on a functional basis in the statements of activities and statements of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited on

Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses (continued)

the basis of periodic time or usage studies.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases that it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Income Taxes

The Center is a Section 501(c)(3) organization, exempt from taxation for federal and state income taxes under Internal Revenue Code Section 501(a). Accordingly, no provision for income taxes is made in the accompanying financial statements. Income from certain activities not directly related to the Center's tax-exempt purpose, however, may be subject to taxation as unrelated business income. Management is not aware of any matters which would cause the Center to lose its tax-exempt status. Management evaluated the Center's tax positions in accordance with the accounting standard on accounting for uncertainty in income taxes and concluded that the Center had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Center is no longer subject to income tax examinations for years before 2018.

Prior Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2022 and 2021

3. Composition of Cash and Cash Equivalents

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the combined statement of financial position that sum to the total of the same such amounts shown in the combined statements of cash flows for the years ended June 30:

| | <u>2022</u> | <u>2021</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$489,482 | \$611,234 |
| Cash and cash equivalents- restricted | <u>52,415</u> | <u>21,266</u> |
| Total cash, cash equivalents, and restricted cash shown in the statement of cash flows | <u>\$541,897</u> | <u>\$632,500</u> |

Cash and cash equivalents-restricted include restricted cash received with donor-imposed purpose restrictions as detailed in Note 8.

4. Grants and Contracts Receivable

Grants and contracts receivable were comprised of the following at June 30:

| | <u>2022</u> | <u>2021</u> |
|---|-------------------|------------------|
| Pima County Behavioral Health | \$ 33,085 | \$ 75,864 |
| Pima County Outside Agencies | 39,730 | 28,388 |
| Arizona Dept. of Public Safety-VOCA | 24,172 | 37,682 |
| Community Development Block Grant | | 28,141 |
| Office for Victims of Crime | 67,201 | 61,542 |
| Governor's Office of Youth, Faith, and Family | 4,469 | 41,981 |
| MercyCare | 40,000 | |
| Various forensic interviews and other | 132,066 | 68,497 |
| Adjustment to net realizable value | <u>(15,535)</u> | <u>(3114)</u> |
| | <u>\$ 325,188</u> | <u>\$338,981</u> |

5. Credit Risk

The Center had grants and contracts receivable of \$325,188 and \$338,981 at net realizable value at June 30, 2022 and 2021, respectively. These amounts contain no collateral provisions for collections. Total credit risk and accounting loss that could occur if all parties to the receivables fail to perform their obligations is \$325,188 and \$338,981 as of June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021 the Center had deposits at a single bank that exceeded the FDIC insured limits by \$256,366 and \$308,250, respectively.

Southern Arizona Children's Advocacy Center, Inc.
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Notes To Financial Statements
June 30, 2022 and 2021

5. Credit Risk (continued)

Management does not believe this is issue. The Center places its cash and cash equivalents with high credit quality institutions. At times, such deposits may be in excess of the FDIC insurance limit; however, management does not believe it is exposed to any significant credit risk on cash and cash equivalents. All such accounts are monitored by management to mitigate risk.

6. Beneficial Interest In Assets Held By Jewish Community Foundation, Investments, Certificates of Deposit and Fair Value Measurements

The Center has established an endowment fund at the Jewish Community Foundation (JCF) for its management with balances of \$12,415 and \$12,006 as of June 30, 2022 and 2021, respectively. JCF financial managers make the financial decisions of what the funds are invested in, subject to monitoring by Center management. The Center has not granted JCF variance power. While the original corpus amount is to remain intact for perpetuity, the Center is entitled to a beneficial income interest.

GAAP requires that entities use a three-level hierarchy to prioritize the inputs used to measure fair value, and maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Level 1 of the hierarchy utilizes quoted prices for identical assets in active markets to which the Center and JCF had access at the measurement date. Since the Center and JCF have ready access to quoted prices from an active market for its endowment investments, it utilizes level 1 inputs to measure their fair value. Level 2 would utilize quoted prices for similar assets in active markets or identical assets in inactive markets. Level 3 utilizes unobservable inputs for an asset's fair value measurement, of which the Center had none.

The Center's certificates of deposit are FDIC insured and are carried at original cost which approximates the fair market value as determined by the issuing financial institution as determined by GAAP level 2 fair market hierarchy, that is utilizing quoted prices for similar assets in active markets or identical assets in inactive markets.

Certificates of deposit, held-to-maturity and recorded at invested cost were as follows as of June 30:

**Southern Arizona Children's Advocacy Center, Inc.
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Notes To Financial Statements
June 30, 2022 and 2021**

6. Beneficial Interest In Assets Held By Jewish Community Foundation, Investments, Certificates of Deposit and Fair Value Measurements (continued)

| | <u>2022</u> | <u>2021</u> |
|---|------------------|------------------|
| Wells Fargo Bank, 1.65%, matured 8-10-21 | | \$100,000 |
| Bank Hapoalim, .1%, matured 2-25-22 | | <u>82,000</u> |
| Everbank, .15%, matured 9-30-22 | \$100,000 | |
| Goldman Sachs Bank, 1.0%, matures 3-09-23 | 82,000 | |
| Goldman Sachs Bank, 1.8%, matures 5-11-23 | <u>72,000</u> | |
| | <u>\$254,000</u> | <u>\$182,000</u> |

The composition of the investment return reported in the statement of activities were as follows for the years ending June 30,

| | <u>2022</u> | <u>2021</u> |
|---------------------------|-----------------|-----------------|
| Dividends and interest | \$ 2,819 | \$ 516 |
| Unrealized gains (losses) | <u>(3,320)</u> | <u>2,458</u> |
| | <u>\$ (501)</u> | <u>\$ 2,974</u> |

7. Clothing Bin Proceeds

The Center contracts with Big Brothers Big Sisters to pick up donated goods from the Center's donation boxes and receive 10 cents per pound for saleable goods from them.

8. Net Assets With Donor Restrictions

The net assets with donor restrictions were restricted for the following purposes at June 30th:

| | <u>2022</u> | <u>2021</u> |
|---------------------------|------------------|------------------|
| Endowment Fund-JCF | \$ 12,415 | \$ 12,006 |
| Technology | | 1,630 |
| Mobile Advocacy Center | <u>40,000</u> | |
| Client needs | | 2,730 |
| Clinical program supplies | | <u>4,900</u> |
| | <u>\$ 52,415</u> | <u>\$ 21,266</u> |

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8. COVID Pandemics

During 2020 and into 2021-22 the world, including the United States, was hit with a severe outbreak of the novel corona virus (COVID-19) which resulted in all but designated essential businesses to remain open, created stay at home orders for most of the citizens, and created required social distancing rules and regulations. The Center's operations and services were significantly affected, including cancellation of the primary annual fundraiser, the golf tournament in September of 2020.

9. Retirement Plan

The Center has a defined contribution plan covering all employees that work at least 20 hours a week. The Center contributes up to 2% of eligible employees' annual compensation to the plan on an employee matching basis. Total retirement expense for the years ended June 30, 2022 and 2021 was \$7,544 and \$11,405, respectively.

10. Operating Lease

The Center leases office space from Pima County and entered into an agreement which expires in September 2033. In lieu of base rent, the Center pays 61.7% of the lessor's operating expenses for the building and a nominal fee for each telephone line and internet connection, based on the County's budgeted rates. The Center also pays an additional 10% of their prorated share of building expenses toward a capital repair and replacement fund for the building. The required monthly lease amounts were determined to be \$5,833 and \$6,942 for the years ended June 30, 2022 and 2021, respectively. The required monthly lease amount for the year ended June 30, 2023 has been determined to be \$7,822.

The future minimum annual lease payments due under the lease based on current level of operating expenses are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|---------------------|
| 2023 | \$ 93,867 |
| 2024 | 93,867 |
| 2025 | 93,867 |
| 2026 | 93,867 |
| 2027 | 93,867 |
| Thereafter | <u>586,669</u> |
| | <u>\$ 1,056,004</u> |

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10. Operating Lease (continued)

Office lease expense for the years ended June 30, 2022 and 2021 was \$70,000 and \$59,744, respectively.

11. Contingencies

As of June 30, 2022 the Center and its Executive Director are named defendants in a lawsuit regarding alleged violations of a minor's rights. The lawsuit has not yet asked for specified damages and is in the discovery stage. The lawsuit is being defended by an attorney representing the Center's insurance company. Both management and the attorney are optimistic for a favorable outcome and if there were to be a negative outcome they believe it will be covered by the Center's policy limits. However, this cannot be guaranteed at this time.

The Center may be subject to compliance audits by the grantor agencies. The nature and extent of such audits is uncertain and assessments, if any, which could result would be recorded when they become determinable.

12. Liquidity

| | |
|--|-------------------|
| Financial assets as of June 30, 2022 | \$ 1,144,542 |
| Less those unavailable for general expenditures within one year, due to: | |
| Contractual or donor-imposed restrictions: | |
| Property lease commitment | (93,867) |
| Subject to appropriation and satisfaction of donor restrictions | <u>(52,415)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 998,260</u> |

The Center is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Center invests cash in excess of immediate and very short-term projected requirements in short-term investments. These short-term, liquid investments may be used to fulfil needs resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

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13. Subsequent Events

The Center's management evaluated subsequent events through October 26, 2022, which represents the date report was available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.

These notes are an integral part of the financial statements.