



**CHILDREN'S
ADVOCACY
CENTER**

OF SOUTHERN ARIZONA

**AUDITED
FINANCIAL
STATEMENTS**

JUNE 30, 2024

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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

Opinion on the Financial Statements

We have audited the June 30, 2024 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 statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets and cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2024 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Our 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 our 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, we:

- 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 our 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.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Center's financial statements for the year ending June 30, 2023, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 29, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Frey Solutions P.C.

Tucson, Arizona
January 22, 2025

STATEMENT 1

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024 AND 2023

Assets	6/30/2024	6/30/2023
Cash and equivalents	\$ 454,870	\$ 466,860
Cash and equivalents- donor restricted	48,242	116,884
Beneficial interest in assets held by JCF	14,015	12,884
Certificates of deposit	423,164	466,000
Grants and contracts receivable, at net realizable value	226,373	211,331
Prepaid expenses	30,508	28,367
Property and equipment:		
Equipment	190,796	164,833
Van	33,471	33,471
Furniture	82,696	82,696
Leasehold improvements	23,342	23,342
Accumulated depreciation	(195,862)	(164,416)
Property and equipment, net	<u>134,442</u>	<u>139,926</u>
Total assets	<u>\$ 1,331,614</u>	<u>\$ 1,442,252</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 14,173	\$ 23,876
Accrued vacation pay	52,369	37,316
Accrued payroll and related taxes	45,974	41,042
Deferred revenue	3,475	2,700
Total liabilities	<u>115,991</u>	<u>104,934</u>
Net Assets		
Without donor restrictions	1,167,381	1,220,434
With donor restrictions	48,242	116,884
Total net assets	<u>1,215,623</u>	<u>1,337,318</u>
Total liabilities and net assets	<u>\$ 1,331,614</u>	<u>\$ 1,442,252</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, 2024 and 2023

	6/30/2024			6/30/2023
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues				
Grant and program revenue				
Government contracts and grants	\$1,038,624		\$1,038,624	\$1,115,668
Program revenue	402,940		402,940	407,548
Public support and other revenue				
Contributions	166,112	121,000	287,112	511,805
In-kind donations	67,817		67,817	37,061
Clothing bin net proceeds	3,612		3,612	7,720
Special events, net of expenses	67,630		23,564	23,564
Investment and other income	27,519		27,519	7,737
Releases from restrictions-purpose satisfied	189,642	(189,642)		
Total revenues	<u>1,963,895</u>	<u>(68,642)</u>	<u>1,895,253</u>	<u>2,114,760</u>
Expenses				
Program	1,729,433		1,729,433	1,743,982
General and Administrative	129,977		129,977	119,409
Fundraising	157,538		157,538	112,272
Total expenses	<u>2,016,948</u>		<u>2,016,948</u>	<u>1,975,663</u>
Changes in net assets	(53,053)	(68,642)	(121,695)	139,097
Net assets, beginning of year	<u>1,220,434</u>	<u>116,884</u>	<u>1,337,318</u>	<u>1,198,221</u>
Net assets, end of year	<u><u>1,167,381</u></u>	<u><u>48,242</u></u>	<u><u>1,215,623</u></u>	<u><u>1,337,318</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, 2024 and 2023

	<u>6/30/2024</u>	<u>6/30/2023</u>
Cash flows from operating activities		
Changes in net assets	\$ (121,695)	\$ 136,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	31,446	36,218
Net realized and unrealized (gain) loss on investments	(2,164)	-
(Increase) decrease in value of beneficial interest at JCF	(1,131)	(469)
Changes in operating assets and liabilities:		
(Increase) decrease in grants and contracts receivable	(15,042)	113,857
Decrease (increase) in prepaid expenses	(2,141)	(17,325)
Increase (decrease) in accounts payable	(9,703)	(8,040)
Increase (decrease) in accrued vacation pay	15,053	4,668
Increase (decrease) in accrued payroll and related taxes	4,932	8,334
Increase (decrease) in deferred revenue	775	1,600
Net cash provided by operating activities	<u>(99,669)</u>	<u>275,640</u>
Cash flows from investing activities		
Purchases of property and equipment	(25,963)	(21,793)
Purchases of certificates of deposit	(211,000)	(366,000)
Proceeds from sale of certificate of deposit	256,000	154,000
Net cash provided by (used in) investing activities	<u>19,037</u>	<u>(233,793)</u>
Net change in cash and equivalents	(80,632)	41,847
Cash, restricted cash and equivalents, beginning of year	583,744	541,897
Cash, restricted cash and equivalents, end of year	<u>\$ 503,112</u>	<u>\$ 583,744</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>-</u>	<u>-</u>
Cash paid during the year for income taxes	<u>-</u>	<u>-</u>
In-Kind donations received	<u>\$ 37,061</u>	<u>\$ 37,061</u>

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

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2024

	Programs	General and Administrative	Fundraising	Totals
Payroll	\$962,387	\$36,415	\$41,617	\$1,040,418
Payroll taxes and employee benefits	182,596	6,909	7,896	197,401
Small equipment and computers	17,430	3,570	-	21,000
Medical contract expenses	185,872	-	-	185,872
Clinical and prevention expenses	100,786	-	-	100,786
Bad debts	2,189	-	-	2,189
Direct fundraising expenses	-	-	89,651	89,651
Dues and subscriptions	-	7,740	3,987	11,727
Insurance	25,252	955	1,092	27,299
Occupancy	82,578	3,125	3,571	89,274
Office expenses	3,456	3,180	276	6,912
Postage and printing	5,240	8,879	437	14,556
Professional fees	55,066	50,831	-	105,897
Promotion	12,504	1,493	4,666	18,663
Staff recognition	27,583	1,044	1,193	29,819
Staff training	14,427	546	624	15,597
Supplies-food	10,653	1,997	666	13,316
Telephone and internet	1,646	1,790	143	3,579
Travel	7,996	303	346	8,644
Miscellaneous	2,684	102	116	2,902
Total expenses before depreciation	1,700,345	128,876	156,280	1,985,502
Depreciation	29,088	1,101	1,258	31,446
TOTAL FUNCTIONAL EXPENSES	\$1,729,433	\$129,977	\$157,538	\$2,016,948

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

STATEMENT 5

SOUTHERN ARIZONA CHILDREN'S ADVOCACY CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023

	<u>Programs</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Totals</u>
Payroll	\$972,303	\$36,231	\$43,477	\$1,052,011
Payroll taxes and employee benefits	172,026	6,524	7,827	186,377
Small equipment and computers	36,012	410		36,422
Medical contract expenses	134,323			134,323
Clinical and prevention expenses	104,275			104,275
Bad debts	64,939			64,939
Direct fundraising expenses			44,218	44,218
Dues and subscriptions	4,010	7,977	811	12,798
Insurance	26,857	1,018	1,222	29,097
Occupancy	86,634	3,285	3,942	93,861
Office expenses	5,625	4,959	157	10,741
Postage and printing	5,210	8,730	414	14,354
Professional fees	32,777	34,574		67,351
Promotion	20,040	2,453	7,222	29,715
Staff training and recognition	26,596	2,543	283	29,422
Supplies-food	8,854	2,590	57	11,501
Travel	10,072	962	18	11,052
Miscellaneous		5,885	1,103	6,988
Total expenses before depreciation	<u>1,710,553</u>	<u>118,141</u>	<u>110,751</u>	<u>\$1,939,445</u>
Depreciation	<u>33,429</u>	<u>1,268</u>	<u>1,521</u>	<u>36,218</u>
TOTAL FUNCTIONAL EXPENSES	<u><u>\$1,743,982</u></u>	<u><u>\$119,409</u></u>	<u><u>\$112,272</u></u>	<u><u>\$1,975,663</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, 2024 and 2023

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 application for tax-exempt status, and any limits resulting from agreements with grantor agencies and 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 or 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.

Southern Arizona Children’s Advocacy Center, Inc.
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Notes To Financial Statements
June 30, 2024 and 2023

New Major Accounting Pronouncement

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 was effective for entities’ fiscal years beginning after December 15, 2021. The Center has determined this standard does not apply to their major office lease (see Note 10) due to its payment variability structure.

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.

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 would typically need to be purchased if not provided by donation. Although the Center benefits greatly from the services of outside volunteers who perform a variety of tasks that assist the Center, the fair value of these services is not reflected in the accompanying financial statements because the contributed services do not meet the criteria for recognition.

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.

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Southern Arizona Children's Advocacy Center, Inc.
DBA Children's Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2024 and 2023

Certificates of Deposit

Certificates of deposit are carried at fair value, except for those classified as cash equivalents.

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, 2024 and 2023 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, 2024 and 2023 were \$18,663 and \$29,715, 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 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.

Southern Arizona Children’s Advocacy Center, Inc.
DBA Children’s Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2024 and 2023

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. The statute of limitations for examinations of tax returns is generally three years from the date the return was filed, but may be longer in certain circumstances.

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.

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 454,870	\$ 466,860
Cash and cash equivalents- restricted	<u>48,242</u>	<u>116,884</u>
Total cash, cash equivalents, and restricted	<u>\$503,112</u>	<u>\$583,744</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 and Credit Risk

Grants and contracts receivable were comprised of receivables for program services already provided that entitle the Center to future payment.

The Center had grants and contracts receivable of \$226,373 and \$211,331 at net realizable value at June 30, 2024 and 2023, respectively. The net receivable amount included a valuation allowance for doubtful accounts of \$8,151 and \$8,340 for the fiscal years ending June 30, 2024 and 2023, respectively. The carrying values of the receivables represent the total credit and accounting loss that would occur if all grantees and customers defaulted on their obligations.

Southern Arizona Children’s Advocacy Center, Inc.
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Notes To Financial Statements
June 30, 2024 and 2023

As of June 30, 2024 and 2023 the Center had deposits at a single financial institution that exceeded the FDIC insured limits by \$80,320 and \$327,438, respectively. The Center’s management is not concerned about the financial viability of the financial institution. 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 \$14,015 and \$12,884 as of June 30, 2024 and 2023, respectively. JCF financial managers make the financial decisions of what the funds are invested in, subject to monitoring by Center management. The Center has granted JCF variance power. The beneficial interest asset represents an approximation of the future cash flows the Center will derive as a result of its contribution of funds to the endowment fund at JCF. The interest is reported at fair market value based on measurement of the fund’s underlying assets, as reported to the Center by JCF.

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

	<u>2024</u>	<u>2023</u>
Dividends and interest	\$ 25,920	\$ 3,785
Realized and unrealized gain (loss) on investments, net	<u>1,599</u>	<u>3,952</u>
	<u>\$27,519</u>	<u>\$ 7,737</u>

5. 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.

Southern Arizona Children’s Advocacy Center, Inc.
DBA Children’s Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2024 and 2023

8. Net Assets With Donor Restrictions

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

	<u>2024</u>	<u>2022</u>
Family Advocacy Center		50,902
Client support	22,641	
Training	16,385	
Allocated for victims for mental health services		31,144
Allocated for mental health services for staff		30,363
Forensic Collection Program	<u>4,740</u>	
Clinical program supplies	<u>4,475</u>	<u>4,475</u>
	<u>\$ 48,242</u>	<u>\$ 116,884</u>

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, 2024 and 2023 was \$16,329 and \$13,924, 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 \$7,440 and \$7,822 for the years ended June 30, 2024 and 2023, respectively. The required monthly lease amount for the year ended June 30, 2025 has been determined to be \$9,447.

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>
2025	113,336
2026	113,336
2027	113,336
2028	113,336
2029	113,336
Thereafter	<u>453,456</u>
	<u>\$ 1,020,136</u>

Office lease expense for the years ended June 30, 2024 and 2023 were \$98,274 and \$93,861, respectively.

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Southern Arizona Children’s Advocacy Center, Inc.
DBA Children’s Advocacy Center of Southern Arizona
Notes To Financial Statements
June 30, 2024 and 2023

11. Contingencies

As of June 30, 2023 and 2024, the Center was named as a defendant in a lawsuit regarding alleged violations of a minor’s rights. Subsequently, the Center was dismissed from the lawsuit, and the plaintiff agreed not to pursue further action against the Center regarding the matter. The matter was defended by attorneys retained by the Center’s insurance carrier, and the Center incurred no material costs or legal expenses in connection with the matter.

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, 2024	\$ 1,152,649
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Subject to appropriation and satisfaction of donor restrictions	<u>(48,242)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,104,407</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.

13. Subsequent Events

The Center’s management evaluated subsequent events through January 22, 2025, which represents the date this 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.