

**CHILDREN'S ACTION ALLIANCE**

**Financial Statements  
December 31, 2014 and 2013  
With Independent Auditors' Report**

# Romek, Sanders & Company, P.C.

## Certified Public Accountants

Members of American Institute of Certified Public Accountants  
and Arizona Society of Certified Public Accountants

### INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Children's Action Alliance  
Phoenix, Arizona

We have audited the accompanying financial statements of Children's Action Alliance (an Arizona corporation, not for profit), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 audits 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 Children's Action Alliance as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Romek Sanders & Company, P.C.*  
June 4, 2015

CHILDREN'S ACTION ALLIANCE  
 Statements of Financial Position  
 December 31, 2014 and 2013

	2014	2013
<b>ASSETS</b>		
Cash	\$ 298,143	\$ 383,741
Investments (NOTE 2)	1,342,240	1,254,647
Investments designated for endowment (NOTES 2 and 3)	114,333	100,364
Investments restricted for endowment (NOTES 2 and 3)	976,083	968,026
Receivables		
Grants	161,245	124,074
Other	500	500
Prepaid expenses	4,963	4,963
Furniture and equipment, at cost less accumulated depreciation of \$62,715 and \$70,073 (NOTE 5)	6,356	10,288
Total assets	\$ 2,903,863	\$ 2,846,603
 <b>LIABILITIES</b>		
Grants payable (NOTE 4)	\$ 44,589	\$ 88,391
Accounts payable	5,970	0
Accrued expenses	23,288	14,313
Refundable advances	587,649	573,814
Total liabilities	661,496	676,518
 <b>NET ASSETS</b>		
Undesignated	1,145,595	1,091,407
Designated (NOTE 6)	114,333	100,364
Net investment in property and equipment	6,356	10,288
Total unrestricted net assets	1,266,284	1,202,059
Temporarily restricted net assets (NOTE 7)	976,083	968,026
Total net assets	2,242,367	2,170,085
Total liabilities and net assets	\$ 2,903,863	\$ 2,846,603

The accompanying notes are an integral part of these statements

CHILDREN'S ACTION ALLIANCE  
Statements of Activities  
For the Years Ended December 31, 2014 and 2013

	2014	2013
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues, gains and other support		
Contributions	\$ 117,074	\$ 98,954
Grants and contracts	1,794,930	1,769,144
In-kind contributions	0	20,700
Event income, net of direct benefits of \$32,378 and \$37,678	153,452	153,507
Interest	30,908	22,737
Realized and unrealized gains, net	60,653	111,383
Net assets released from restrictions (NOTE 8)	49,000	25,000
Total revenues, gains and other support	2,206,017	2,201,425
Expenses		
Program services	1,948,693	1,907,382
Total program services	1,948,693	1,907,382
Supporting activities		
General and administrative	97,909	101,923
Fund raising	95,190	77,345
Total supporting activities	193,099	179,268
Total expenses	2,141,792	2,086,650
Increase in unrestricted net assets	64,225	114,775
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Interest	13,016	19,401
Realized and unrealized gains, net	44,041	128,284
Net assets released from restrictions (NOTE 8)	(49,000)	(25,000)
Increase in temporarily restricted net assets	8,057	122,685
CHANGE IN NET ASSETS	72,282	237,460
NET ASSETS, beginning of year	2,170,085	1,932,625
NET ASSETS, end of year	\$ 2,242,367	\$ 2,170,085

The accompanying notes are an integral part of these statements

CHILDREN'S ACTION ALLIANCE  
Statement of Functional Expenses  
For the Year Ended December 31, 2014

	2014				
	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	Total
Salaries and related benefits	\$ 775,665	\$ 73,070	\$ 73,070	\$ 146,140	\$ 921,805
Grants and contracts	647,892	0	0	0	647,892
Contractual services	280,014	11,459	7,336	18,795	298,809
Advertising and promotion	67,841	0	0	0	67,841
Office expenses	40,089	3,448	4,657	8,105	48,194
Information technology	12,630	0	2,425	2,425	15,055
Occupancy	45,282	4,307	4,307	8,614	53,896
Travel	12,319	809	404	1,213	13,532
Conferences, conventions and meetings	24,862	2,187	0	2,187	27,049
Depreciation	3,302	354	275	629	3,931
Insurance	888	887	0	887	1,775
Printing	22,171	1,152	1,262	2,414	24,585
Postage	5,644	189	1,036	1,225	6,869
Publications and subscriptions	701	0	238	238	939
Training, memberships and sponsorships	9,393	47	180	227	9,620
	<u>\$ 1,948,693</u>	<u>\$ 97,909</u>	<u>\$ 95,190</u>	<u>\$ 193,099</u>	<u>\$ 2,141,792</u>

The accompanying notes are an integral part of this statement

CHILDREN'S ACTION ALLIANCE  
Statement of Functional Expenses  
For the Year Ended December 31, 2013

2013

	Total Program Services	General and Administrative	Fund Raising	Total Supporting Activities	Total
Salaries and related benefits	\$ 702,372	\$ 75,254	\$ 58,531	\$ 133,785	\$ 836,157
Grants and contracts	719,151	0	0	0	719,151
Contractual services	133,926	14,695	0	14,695	148,621
Advertising and promotion	164,814	0	300	300	165,114
Office expenses	40,865	2,821	6,850	9,671	50,536
Information technology	14,562	0	3,000	3,000	17,562
Occupancy	62,389	4,542	3,532	8,074	70,463
Travel	19,125	771	171	942	20,067
Conferences, conventions and meetings	19,827	1,687	984	2,671	22,498
Depreciation	3,525	378	294	672	4,197
Insurance	743	966	62	1,028	1,771
Printing	10,726	565	1,637	2,202	12,928
Postage	4,632	244	1,610	1,854	6,486
Publications and subscriptions	982	0	49	49	1,031
Training, memberships and sponsorships	9,743	0	325	325	10,068
<b>Total expenses</b>	<b>\$ 1,907,382</b>	<b>\$ 101,923</b>	<b>\$ 77,345</b>	<b>\$ 179,268</b>	<b>\$ 2,086,650</b>

The accompanying notes are an integral part of this statement

CHILDREN'S ACTION ALLIANCE  
Statements of Cash Flows  
For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 72,282	\$ 237,460
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	3,931	4,197
Realized and unrealized gains and reinvested interest and dividends on investments, net of investment expenses	(148,618)	(281,805)
Distributions from endowment	49,000	25,000
Changes in operating assets and liabilities		
(Increase) decrease in assets:		
Grants receivable	(37,171)	111,530
Increase (decrease) in liabilities:		
Grants payable	(43,802)	(23,225)
Accounts payable	5,970	0
Accrued expenses	8,975	480
Refundable advances	13,835	30,566
Total adjustments	(147,880)	(133,257)
Net cash (used) provided by operating activities	(75,598)	104,203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net purchase of investments	(10,000)	(250,000)
Furniture and equipment acquisitions	0	(5,432)
Net cash (used) by investing activities	(10,000)	(255,432)
<b>NET (DECREASE) IN CASH</b>	(85,598)	(151,229)
CASH, beginning of year	383,741	534,970
CASH, end of year	\$ 298,143	\$ 383,741

The accompanying notes are an integral part of these statements

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 1 – Description of Organization and Summary of Significant Accounting Policies**

**Description of Organization**

Children's Action Alliance (the "Organization") was incorporated in 1988 in the State of Arizona as a not for profit corporation. The Organization is based in Phoenix, Arizona, and is a statewide nonpartisan research, policy and advocacy organization dedicated to promoting the well-being of all of Arizona's children and families. Through research, publications, media campaigns, and advocacy, the Organization acts as a strong and independent voice for children who cannot speak for themselves. The Organization's goal is to educate Arizonans about the needs of children in order to promote a greater understanding of the high economic and social stake that all Arizonans have in the well-being of the State's youngest citizens. The Organization's Board of Directors and supporters believe that the quality of life of the State's children is the single most important determinant of Arizona's future.

**Basis of Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. There were no permanently restricted net assets as of December 31, 2014 or 2013.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all revenues when earned, rather than when received, and reflect all expenses when incurred, rather than when paid.

**Temporarily Restricted Amounts**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 1 – Description and Summary of Significant Accounting Policies** (continued)

**Income Taxes**

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Arizona Revised Statutes. Contributions to the Organization are tax deductible within the limitations described by the Code.

As of December 31, 2014 and 2013, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense, if incurred. Additionally, there was no unrelated business income for the years ended December 31, 2014 and 2013.

The Organization's informational tax returns are subject to review and examination by federal and state authorities. The tax returns for the years ended December 31, 2011 to 2013 are open to examination by federal authorities and for the years ended December 31, 2010 to 2013 by state authorities.

**Advertising**

The Organization receives grant funds that require advertising to promote specific programs for children and families. The costs of advertising are expensed as incurred and during the years ended December 31, 2014 and 2013, advertising costs totaled \$67,841 and \$164,814, respectively.

**Cash**

Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC). From time to time, these deposits may exceed the insurance amounts provided by the FDIC. The Organization considers checking accounts with deposits available for operating activities to be cash.

**Donated Assets and Services**

Donated items and services are recorded at estimated fair value at the date of receipt. The Organization received \$20,700 in donated rent and office supplies for the year ended December 31, 2013. There were no donated items or services received during the year ended December 31, 2014.

In addition, a substantial number of unpaid volunteers have made significant contributions of their time to the Organization's programs. However, these services are not reflected as contributions in the financial statements since the recognition criteria under accounting principles generally accepted in the United States of America were not met.

**Functional Expenses**

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program service and supporting activities benefited. Directly identifiable expenses are charged to the applicable program service or supporting activity. Expenses related to more than one function are charged to program service and supporting activities on the basis of periodic expense studies. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 1 – Description and Summary of Significant Accounting Policies** (continued)

**Furniture and Equipment**

Furniture and equipment are stated at historical cost. All acquisitions of furniture and equipment in excess of \$2,500 and all expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. The cost of other maintenance and repairs is expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is three to five years.

**Grants Receivable**

Grants receivable consists primarily of amounts due from an Arizona state agency and other not for profit organizations under grant agreements. Management considers the amounts for the years ended December 31, 2014 and 2013 to be fully collectible and, accordingly, has determined that an allowance for doubtful accounts is not considered necessary.

**Investments**

All investments are stated at market value using quoted market prices. Unrealized gains and losses are included in the change in net assets. Expenses relating to investment revenues, including investment advisory fees, amount to \$15,877 and \$13,524 for the years ended December 31, 2014 and 2013, respectively, and have been netted with revenues in the accompanying statements of activities.

Investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect account balances and the amounts reported in the financial statements.

**Refundable Advances**

Refundable advances consist of unexpended balances of grants awarded to the Organization as of December 31, 2014 and 2013.

**Reclassification**

The December 31, 2013, financial statements have been reclassified to be consistent with the December 31, 2014, financial statements.

**Supplementary Disclosures – Statements of Cash Flows**

No cash was paid for income taxes, excise taxes or interest during the years ended December 31, 2014 or 2013.

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 2 – Investments**

The investment portfolio is included in the statements of financial position as:

	<u>2014</u>	<u>2013</u>
Unrestricted	\$ 1,342,240	\$ 1,254,647
Designated for endowment	114,333	100,364
Restricted for endowment	<u>976,083</u>	<u>968,026</u>
	<u>\$ 2,432,656</u>	<u>\$ 2,323,037</u>

Accounting principles generally accepted in the United States of America include a three tier 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 lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on the assumptions of the financial institution where the assets are held, has little, if any, related market activity.

In instances where the determination of fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

Investments are accounted for on a recurring basis using the market approach under the fair value hierarchy at December 31, 2014, as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash sweep funds	\$ 26,836	\$ 0	\$ 0	\$ 26,836
Common stock	1,104,714	0	0	1,104,714
Fixed income securities	0	104,052	0	104,052
Mutual funds	640,706	0	0	640,706
Preferred/fixed rate cap securities	0	14,847	0	14,847
Pooled funds	<u>0</u>	<u>541,501</u>	<u>0</u>	<u>541,501</u>
	<u>\$ 1,772,256</u>	<u>\$ 660,400</u>	<u>\$ 0</u>	<u>\$ 2,432,656</u>

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 2 – Investments** (continued)

Investments are accounted for on a recurring basis using the market approach under the fair value hierarchy at December 31, 2013, as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash sweep funds	\$ 59,530	\$ 0	\$ 0	\$ 59,530
Common stock	740,245	0	0	740,245
Fixed income securities	0	104,113	0	104,113
Mutual funds	884,012	0	0	884,012
Preferred/fixed rate cap securities	0	14,232	0	14,232
Pooled funds	<u>0</u>	<u>520,905</u>	<u>0</u>	<u>520,905</u>
	<u>\$ 1,683,787</u>	<u>\$ 639,250</u>	<u>\$ 0</u>	<u>\$ 2,323,037</u>

Investments in pooled funds consist of funds invested in Arizona Community Foundation's long term pool, a common equity investment pool (the "Pool") which is managed by Arizona Community Foundation's Investment Committee. The Organization has ownership interest in the Pool, which is based upon the ratio of the market value of individual funds account balances to the total market value of the Pool. The ratio is used to allocate future activity and is recalculated each time a contribution or withdrawal is made.

**NOTE 3 – Endowment**

During a prior year, the Board of Directors established an endowment fund for the purpose of funding the early childhood program that includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors, are classified and reported based on the existence or absence of donor-imposed restrictions. Donor restricted contributions to the fund are recorded as increases to temporarily restricted net assets. While the principal in the endowment can be expended with Board approval, the intent is that only the earnings will be used for the intended program and that principal not be expended.

The Organization has interpreted the State of Arizona's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as temporarily restricted net assets (a) the original value of gifts on the date received by the Organization, (b) the original value of subsequent gifts on the date received by the Organization and (c) accumulations to the temporarily restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the donor-restricted endowment fund, (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) other resources of the Organization and, (7) the Organization's investment policies.

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 3 – Endowment** (continued)

The Organization has adopted investment and spending policies for endowment assets with the objectives of preserving capital while concentrating on long-term growth. Accordingly, the investment process objective is to achieve, over a 3-5 year market cycle, returns that will exceed inflation, plus 5% to be distributed for the purpose of covering expenses as directed by the Board of Directors. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund and investment assets and allocation between asset classes and strategies are managed to not expose the fund to an unacceptable level of risk.

The spending policy determines the amount of money in a given year that will be distributed from the Organization's endowment assets. The current spending policy is to evaluate the earnings of the endowment fund for the prior year and the planned expenditures for staff and projects for the early childhood program as a part of the annual Organization budget process. Recommendations will then be made for distributions from the endowment fund. The target distribution will be 5% of the endowment fund balance, leaving the principal plus additional earnings in the fund. However, based on the needs of the Organization, distributions may be below or above 5%.

The endowment net assets composition by type of fund as of December 31, 2014, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ 976,083	\$ 976,083
Board-designated funds	<u>114,333</u>	<u>0</u>	<u>114,333</u>
Total	<u>\$ 114,333</u>	<u>\$ 976,083</u>	<u>\$ 1,090,416</u>

The endowment net assets composition by type of fund as of December 31, 2013, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Donor-restricted funds	\$ 0	\$ 968,026	\$ 968,026
Board-designated funds	<u>100,364</u>	<u>0</u>	<u>100,364</u>
Total	<u>\$ 100,364</u>	<u>\$ 968,026</u>	<u>\$ 1,068,390</u>

The change in endowment net assets for the year ended December 31, 2014, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2014	\$ 100,364	\$ 968,026	\$ 1,068,390
Additions	10,000	0	10,000
Investment income	3,969	57,057	61,026
Amounts appropriated for expenditures	<u>0</u>	<u>(49,000)</u>	<u>(49,000)</u>
Endowment net assets, December 31, 2014	<u>\$ 114,333</u>	<u>\$ 976,083</u>	<u>\$ 1,090,416</u>

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 3 – Endowment** (continued)

The change in endowment net assets for the year ended December 31, 2013, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Endowment net assets, January 1, 2013	\$ 84,545	\$ 845,341	\$ 929,886
Investment income	15,819	147,685	163,504
Amounts appropriated for expenditures	<u>0</u>	<u>(25,000)</u>	<u>(25,000)</u>
Endowment net assets, December 31, 2013	<u>\$ 100,364</u>	<u>\$ 968,026</u>	<u>\$ 1,068,390</u>

**NOTE 4 – Concentration**

For the year ended December 31, 2014, the Organization recognized grant revenue from an Arizona state agency totaling \$572,028, of which \$445,470 was recorded as pass-through grant expense. This represents 26% of total revenues, gains and other support for the year. For the year ended December 31, 2013, the grant revenue recorded from this agency was \$752,149 of which \$525,753 was recorded as pass-through grant expense. This grant revenue recorded for the year ended December 31, 2013, represents 34% of the total revenues, gains and other support. Funding from this source will continue through the contract award period, which expires on June 30, 2015, but will not be extended.

As of December 31, 2014 and 2013, the receivable balance due to the Organization related to the grants from this agency was \$130,412 and \$98,751, respectively, and the related grants payable balance due to other organizations was \$32,493 and \$78,753, respectively.

**NOTE 5 – Furniture and Equipment**

Furniture and equipment consists of the following at December 31:

	<u>2014</u>	<u>2013</u>
Office furniture and equipment	\$ 73,003	\$ 73,003
Less accumulated depreciation	<u>(66,647)</u>	<u>(62,715)</u>
	<u>\$ 6,356</u>	<u>\$ 10,288</u>

Total depreciation expense for the years ended December 31, 2014 and 2013, was \$3,931 and \$4,197, respectively.

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 6 – Designated Net Assets**

The Board of Directors had designated net assets of \$114,333 and \$100,364 as of December 31, 2014 and 2013, respectively, for the early childhood program endowment. These funds consist of the corpus of the initial investments designated by the Board of Directors for the early childhood program and allocated earnings and expenses from the Organization's investment funds.

**NOTE 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets of \$976,083 and \$968,026 as of December 31, 2014 and 2013, respectively, are available for the early childhood program endowment.

**NOTE 8 – Temporarily Restricted Expenses**

Net assets were released from restrictions by incurring expenses related to the early childhood program for the years ended December 31, 2014 and 2013, as follows:

2014	2013
\$ 49,000	\$ 25,000

**NOTE 9 – Operating Lease Commitments**

The Organization leases office space under a lease agreement that expires December 31, 2017. Under the agreement, rent expense is \$3,500 per month and increases to \$3,948 per month beginning January 2014 through June 2015, and increases to \$4,100 beginning July 2015 through December 2017. Rental expense related to the agreement for the years ended December 31, 2014 and 2013 was \$47,372 and \$42,000, respectively.

The Organization has a lease agreement for office equipment. The terms of the lease agreement require 63 monthly payments of \$772, plus applicable taxes, through January 2017. Rental expense for this office equipment lease agreement for the years ended December 31, 2014 and 2013 was approximately \$10,000 each year.

Minimum future rental payments under these commitments are as follows:

<u>Year ending December 31,</u>	
2015	\$ 57,547
2016	58,458
2017	49,966

The Organization also leases office space in Tucson, Arizona. Under the agreement, rent expense is \$375 a month for the first year beginning June 2014, and increases to \$400 after the first year. The lease may be cancelled with a thirty day notice. Rent expense related to the agreement for the year ended December 31, 2014 was approximately \$2,725.

CHILDREN'S ACTION ALLIANCE  
Notes to Financial Statements  
December 31, 2014 and 2013

**NOTE 10 – Other Commitments**

The Organization entered into a subscription agreement in 2013 for office technology. The terms of the agreement is for 36 months with annual payments of \$10,200. Expenses related to this agreement for the year ended December 31, 2014, were \$10,200.

Future minimum payments under this commitment is as follows:

<u>Year ending December 31,</u>	
2015	\$ 10,200

**NOTE 11 – Retirement Plan**

The Organization has a 403(b) plan for eligible employees. For 2014 and 2013, employees' withholdings to the plan were matched up to 3%. The match is determined annually by the Board. Total contributions to the plan for the years ended December 31, 2014 and 2013, were \$15,006 and \$10,269, respectively.

**NOTE 12 – Subsequent Events**

Management has evaluated subsequent events through June 4, 2015, which is the date the financial statements were available to be issued.