Children's Action Alliance, Inc.

Audited Financial Statements

Year Ended December 31, 2023 and 2022

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Audited Financial Statements
Years Ended December 31, 2023 and 2022

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N·P·O ACCOUNTANTS
Nonprofit Accounting Specialists

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Children's Action Alliance, Inc.
3030 N 3rd St. Suite 760
Phoenix, AZ 85012

Opinion

We have audited the financial statements of Children's Action Alliance Inc., which comprise the Statements of Financial Position as of December 31, 2023 and December 31, 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Children's Action Alliance, Inc. as of December 31, 2023 and December 31, 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Children's Action Alliance, Inc. 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 fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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 Children's Action Alliance, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Children's Action Alliance, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Children's Action Alliance, Inc.'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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

NPO Accountants

NPO Accountants, LLC
Phoenix, Arizona
June 28, 2024

Children's Action Alliance, Inc.
Statements of Financial Position
As of December 31, 2023 and 2022

	2023	2022
Assets		
Current assets		
Cash & cash equivalents	$ 368,146	$ 684,538
Contributions receivable	563,000	416,802
Investments	1,828,181	1,756,043
Total current assets	2,759,327	2,857,383
Other assets		
Endowment	951,498	925,254
Prepaid expenses	8,883	12,883
Total other assets	960,381	938,137
Property & equipment		
Right of use assets	97,209	162,849
Office equipment & furniture	71,347	68,647
Leasehold improvements	49,143	49,143
Less accumulated depreciation	(83,057)	(58,290)
Total property & equipment	134,642	222,349
Total assets	**$ 3,854,350**	**$ 4,017,869**
Liabilities & net assets		
Current liabilities		
Accounts payable	$ -	$ 32,900
Accrued payroll liabilities	34,891	38,342
Lease liabilities	61,038	60,642
Total current liabilities	95,929	131,884
Long-term liabilities		
Lease liabilities	38,455	104,606
Total long-term liabilities	38,455	104,606
Total liabilities	134,384	236,490
Net assets		
With donor restrictions	2,543,994	2,697,108
Without donor restrictions		
Undesignated	715,362	1,010,328
Board designated	460,610	73,943
Total without donor restrictions	1,175,972	1,084,271
Total net assets	3,719,966	3,781,379
Total liabilities & net assets	**$ 3,854,350**	**$ 4,017,869**

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

Children's Action Alliance, Inc.
Statement of Activities
For the Year Ended December 31, 2023

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support & revenue			
Grants	$ 497,202	$ 1,572,239	$ 2,069,441
Investment earnings, net	198,195	151,302	349,497
Corporate, individual & foundation contributions	71,578	-	71,578
Government contributions	57,883	-	57,883
Other	6,291	-	6,291
Special event revenue	36,262	-	36,262
Less: cost of direct donor benefits	(9,816)	-	(9,816)
Special event revenue, net	26,446	-	26,446
Net assets released from restrictions	1,876,655	(1,876,655)	-
Total support & revenue	**2,734,250**	**(153,114)**	**2,581,136**
Expenses			
Program	2,276,428	-	2,276,428
Management & General	201,593	-	201,593
Development	164,528	-	164,528
Total expenses	**2,642,549**	**-**	**2,642,549**
Changes in net assets	91,701	(153,114)	(61,413)
Net assets, beginning of year	1,084,271	2,697,108	3,781,379
Net assets, end of year	**$ 1,175,972**	**$ 2,543,994**	**$ 3,719,966**

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

Children's Action Alliance, Inc.
Statement of Activities
For the Year Ended December 31, 2022

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Support & revenue			
Grants	$ 516,939	$ 1,845,797	$ 2,362,736
Corporate, individual & foundation contributions	113,493	-	113,493
Other	5,188	-	5,188
Investment (loss), net	(441,782)	-	(441,782)
Special event revenue	29,903	-	29,903
Less: cost of direct donor benefits	(7,131)	-	(7,131)
Special event revenue, net	22,772	-	22,772
Net assets released from restrictions	1,479,750	(1,479,750)	-
Total support & revenue	**1,696,360**	**366,047**	**2,062,407**
Expenses			
Program	2,285,416	-	2,285,416
Management & General	212,108	-	212,108
Development	167,775	-	167,775
Total expenses	**2,665,299**	**-**	**2,665,299**
Changes in net assets	(968,939)	366,047	(602,892)
Net assets, beginning of year	2,053,210	2,331,061	4,384,271
Net assets, end of year	**$ 1,084,271**	**$ 2,697,108**	**$ 3,781,379**

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

Children's Action Alliance, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2023

	2023			
	Program	**Management & General**	**Development**	**Total**
Salaries & wages	$ 1,168,668	$ 111,301	$ 111,302	$ 1,391,271
Payroll taxes	93,148	8,871	8,871	110,890
Employee related	134,046	12,766	12,766	159,578
Total salary & related expenses	1,395,862	132,938	132,939	1,661,739
Accounting	-	20,296	-	20,296
Advertising	98,451	1,000	1,000	100,451
Conference & meeting	26,247	6,335	9,816	42,398
Contract	301,767	14,530	-	316,297
Depreciation	20,266	2,133	2,368	24,767
Grants to others	222,500	-	-	222,500
Information technology	30,235	2,914	3,279	36,428
Insurance	4,997	559	620	6,176
Miscellaneous	2,173	210	236	2,619
Occupation	68,978	6,620	7,347	82,945
Office expense	63,659	8,137	10,397	82,193
Other fees for service	21,929	2,088	2,088	26,105
Travel	19,364	3,833	4,254	27,451
Total expenses	2,276,428	201,593	174,344	2,652,365
Less expenses included with support & revenue in the Statement of Activities				
Cost of direct benefits to donors	-	-	(9,816)	(9,816)
Total expenses	**$ 2,276,428**	**$ 201,593**	**$ 164,528**	**$ 2,642,549**

Children's Action Alliance, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

	2022			
	Program	**Management & General**	**Development**	**Total**
Salaries & wages	$ 1,219,255	$ 116,119	$ 116,120	$ 1,451,494
Payroll taxes	97,190	9,256	9,256	115,702
Employee related	155,388	14,799	14,799	184,986
Total salary & related expenses	1,471,833	140,174	140,175	1,752,182
Accounting	-	21,000	-	21,000
Advertising	119,948	1,000	1,000	121,948
Conference & meeting	34,463	7,125	788	42,376
Contract	306,592	14,530	-	321,122
Depreciation	21,516	2,133	2,368	26,017
Grants to others	88,000	-	-	88,000
Information technology	28,594	2,756	3,101	34,451
Insurance	5,632	559	620	6,811
Miscellaneous	1,610	155	175	1,940
Occupation	66,768	6,620	7,347	80,735
Office expense	80,402	10,277	13,132	103,811
Other fees for service	20,434	1,946	1,946	24,326
Travel	39,624	3,833	4,254	47,711
Total expenses	2,285,416	212,108	174,906	2,672,430
Less expenses included with support & revenue in the Statement of Activities				
Cost of direct benefits to donors	-	-	(7,131)	(7,131)
Total expenses	**$ 2,285,416**	**$ 212,108**	**$ 167,775**	**$ 2,665,299**

Children's Action Alliance, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating activities		
Change in net assets	$ (61,413)	$ (602,892)
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Depreciation	24,767	26,017
(Increase) decrease in contributions receivable	(146,198)	18,698
(Increase) decrease in investments, net	(272,138)	245,503
(Increase) decrease in endowment, net	(77,359)	195,988
Decrease (increase) in prepaid expenses	4,000	(4,000)
Decrease in carrying amount of right of use assets	65,640	59,985
(Decrease) increase in accounts payable	(32,900)	34,153
(Decrease) increase in accrued payroll liabilities	(3,451)	5,894
(Decrease) in lease liabilities	(65,755)	(58,976)
Net cash used for operating activities	**(564,807)**	**(79,630)**
Investing activities		
Capitalization of right of use assets	-	(222,834)
Purchase of property & equipment	(2,700)	(12,226)
Proceeds from sale of investments	200,000	200,000
Withdrawals from endowment	51,115	60,500
Net cash provided by investing activities	**248,415**	**25,440**
Financing activities		
Capitalization of lease liabilities	-	224,225
Net cash provided by financing activities	**-**	**224,225**
Net change in cash & cash equivalents	**(316,392)**	**170,035**
Cash & cash equivalents		
Beginning of year	684,538	514,503
End of year	**$ 368,146**	**$ 684,538**
Supplemental disclosure of cash flow information		
Cash paid for interest & taxes	$ -	$ -
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 61,870	$ 60,744
Noncash financing and investing cash flow (post adoption)		
Right of use assets obtained in exchange for lease obligation:		
Operating leases	$ -	$ 222,834

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

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Children's Action Alliance is an independent 501c3 nonprofit advocacy organization that advocates for meaningful legislation and smart policies to improve the lives of Arizona families and children. More information can be found at azchildren.org.

The Arizona Center for Economic Progress (the AZ Center) at Children's Action Alliance, Inc. is a leader in advancing policies that create fairer tax codes that raise the revenue needed to invest in education, affordable housing, health care, infrastructure, and other supports needed to build thriving communities and better economic opportunities for all Arizonans. The AZ Center works with advocates, policymakers, and communities to connect the dots between the inequities in the state economy and solutions to create a fair and socially just Arizona. For more information visit azeconcenter.org

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Contributions Receivable

Contributions receivable consists of contributions promised to the Organization but not yet received.

The Organization records unconditional contributions receivable that are expected to be collected within one year at net realizable value. Unconditional contributions receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the Statements of Activities.

An allowance for uncollectible contributions receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Based on management's evaluation of the receivables at December 31, 2023 and 2022, management expects the amounts to be fully collectible and therefore has not established an allowance for uncollectible receivables.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the Statements of Financial Position. Net investment income (loss) is reported in the Statement of Activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment fees.

Financial Instruments and Credit Risk

Cash balances totaled $368,146 and $684,538 as of December 31, 2023 and 2022 respectively, and were held in multiple accounts at a local financial institution. CAA maintains its cash balances at institutions insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash balances may exceed federally insured limits. CAA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash balances.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments and Credit Risk (continued)

The Organization's investments are not insured by the FDIC and are subject to various risks such as interest rate, credit and overall market volatility. Adverse economic conditions may result in a reduction of the investment's carrying amount. It is at least reasonably possible that changes in the near term could materially affect the amounts reported in the Statement of Financial Position. Management is of the opinion that the diversification of its invested assets among various asset classes (see note 3) should mitigate the impact of changes in any one class.

Property and Equipment

The Organization records property and equipment additions over $2,500 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years. When assets are sold or otherwise disposed of, the cost and related depreciation is removed from the accounts, and any resulting gain or loss is included in the Statement of Activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Furniture & equipment	3 - 8 years
Leasehold improvements	3 - 4 years

Carrying values of property and equipment are reviewed for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indications of asset impairments during the years ended December 31, 2023 and 2022.

Leases

At the beginning of an agreement or transaction, CAA evaluates the arrangement for whether it contains a lease. When a lease is present and the term of the lease is greater than 12 months, the right-of-use (ROU) asset and lease liability are included on the Statement of Financial Position. These assets and liabilities represent the present value of the future minimum lease payments over the lease term. A discount rate is determined using the risk-free rate at the commencement date of the lease and is used in all present value calculations, including leases. For leases with terms less than 12 months, the lease payments are recorded as lease expense on a straight-line basis over the life of the lease.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets (continued)

Donor-restricted contributions whose restrictions are met (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the same reporting period are reported as net assets without donor restriction support. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Revenue Recognition

Revenue recognition varies based on the following revenue streams.

Grants & contributions

The Organization recognizes contributions when cash, securities or other assets, unconditional promises to give, or notifications of a beneficial interest are received. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Special events

The Organization recognizes revenue from fundraising event ticket/table sales at the time of admission. The Organization records event revenue equal to the cost of direct benefits to donors, and contribution income for the excess received when the event takes place. All amounts received prior to the commencement of the event are deferred until the event takes place.

Donated Services and In-kind Contributions

Contributions of materials and professional services are recorded at their estimated values on the date of the contribution if they enhance the Organization's nonfinancial assets or require specialized skills that the Organization would normally purchase, if not provided by a contribution. CAA did not receive any in-kind contributions for the years ended December 31, 2023 and 2022.

Advertising

Advertising costs for CAA are expensed in the period incurred and were $100,451 and $121,948 during the years ended December 31, 2023 and 2022 respectively. Of the total advertising costs, 98% are direct programmatic expenses related to grant deliverables.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis on the Statement of Activities. The Statement of Functional Expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among program, management and general and fundraising based on management's estimates of indirect overhead costs. Expenses that are attributed to more than one program or supporting function have been allocated among the various functions using a reasonable basis that is consistently applied, as follows:

- Salaries, payroll taxes, and employee related are allocated on estimates of time and effort.
- Other expenses that cannot be directly identified are allocated based on management's estimates of indirect overhead costs.

Income Tax Status

CAA is organized as an Arizona nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code and as an Organization described, in Section 501(c)(3), qualifies for the charitable contribution deduction under Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under Sections 509(a)(1) and (3), respectively. CAA is annually required to file a Return of Organization Exempt from Income Tax, Form 990, with the IRS. In addition, CAA is subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. Management has determined that CAA is not subject to unrelated business income tax, and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates and those differences could be material.

Recent Accounting Guidance

In June 2016, FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which requires entities to recognize credit losses on an expected loss model, which is referred to as the current expected credit loss (CECL) model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held-to-maturity debt securities, and reinsurance receivables. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. The standard will be effective for the Organization for the year ended December, 31, 2023. The Organization does not own any assets which are impacted by the new standard for the year ended December 31, 2023.

Subsequent Events

CAA has evaluated subsequent events and transactions for potential recognition or disclosure through June 28, 2024, the date on which the financial statements were available to be issued.

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the Statement of Financial Position date, comprise the following:

		2023		2022
Financial assets:				
Cash & cash equivalents	$	368,146	$	684,538
Contributions receivable		563,000		416,802
Investments		1,828,181		1,756,043
Total financial assets		**2,759,327**		**2,857,383**
Less financial assets held to meet donor imposed restrictions:				
Specified purpose (note 8)		1,668,994		1,732,647
Less financial assets designated by the Board:				
Less Board designated operating reserve *		460,610		-
Total amount available for general expenditures within one year	**$**	**629,723**	**$**	**1,124,736**

* The purpose of the Board designated reserve is to support general expenditures when needed, and could be made available at any time, by a majority vote of the Board.

NOTE 3 - INVESTMENTS

CAA reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

NOTE 3 - INVESTMENTS (continued)

Investments consist of the following at December 31:

	2023			
	Level 1	Level 2	Level 3	Total
Cash & equivalents	$ 39,202	$ -	$ -	$ 39,202
Common stock	1,021,369	-	-	1,021,369
Fixed income securities	1,186,151	-	-	1,186,151
Series HH bonds	53,000	-	-	53,000
Assets held at Community Foundation	-	479,957	-	479,957
Total	**$ 2,299,722**	**$ 479,957**	**$ -**	**$ 2,779,679**

	2022			
	Level 1	Level 2	Level 3	Total
Cash & equivalents	$ 60,089	$ -	$ -	$ 60,089
Common stock	924,535	-	-	924,535
Fixed income securities	1,222,028	-	-	1,222,028
Series HH bonds	53,000	-	-	53,000
Assets held at Community Foundation	-	421,645	-	421,645
Total	**$ 2,259,652**	**$ 421,645**	**$ -**	**$ 2,681,297**

While CAA's investments are held at multiple financial institutions, the pooled funds are held in a fund managed by Arizona Community Foundation (ACF) which is invested 100% in the Socially Responsible Pool. As fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement, the investments are shown as Level 2 due to the inputs being used for valuation. The fair value measurements have been provided by ACF.

At December 31, 2023 and 2022, 81% and 82% of total investments and 58% and 55% of total assets, respectively, were held as investments for CAA with a single investment company.

NOTE 4 – ENDOWMENTS

CAA’s endowment consisted of two components to provide annual funding for the early childhood program and general operations, the Endowment Fund and the Board Designated Fund. The Board Designated funds are classified as without donor restrictions. Any gains or earnings from the commingled investment account are considered without donor restrictions unless otherwise designated by the Board. During the year ended December 31, 2023, the Board approved a dissolution of the Board Designated Fund which released the December 31, 2022 balance of $73,943.

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 contribution, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, (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 endowment made under the applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as donor-restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the donor restriction.

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 objective is to achieve over a three to five-year market cycle, returns that will exceed inflation, plus 5% distributed to cover 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 ensure the fund is not exposed to an unacceptable level of risk. The spending policy determines the amount of money 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 is 5% of the endowment fund balance, leaving the principal plus additional earnings in the fund. However, based on actual returns and the needs of the Organization, distributions may be below or above 5%.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

- The purpose of the donor-restricted endowment fund
- Maintaining sufficient liquidity
- The investment policies of the Organization

NOTE 4 – ENDOWMENTS (continued)

The Organization had the following endowment net asset composition by type of fund:

December 31, 2023	With Donor Restrictions	Without Donor Restrictions	Total
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ 875,000	$ -	$ 875,000
Accumulated investment gains	76,498	-	76,498
	$ 951,498	**$ -**	**$ 951,498**

December 31, 2022	With Donor Restrictions	Without Donor Restrictions	Total
Board-designated endowment funds	$ -	$ 73,943	$ 73,943
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	875,000	-	875,000
Accumulated investment (losses)	(23,689)	-	(23,689)
	$ 851,311	**$ 73,943**	**$ 925,254**

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). CAA has interpreted the Act and UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2022, the fund established for a Director of Early Childhood Development, with original gifts totaling $875,000, fair values of $851,311 and deficiencies of $23,689 were reported in net assets with donor restrictions disclosed in Note 8. These amounts were fully recovered during 2023 due to favorable market fluctuations.

Investment and Spending Policies

The Organization has adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

NOTE 4 – ENDOWMENTS (continued)

Changes in endowment net assets are as follows:

Year Ended December 31, 2023		With Donor Restrictions		Board Designated		Total
Endowment net assets, beginning of year	$	851,311	$	73,943	$	925,254
Investment return, net		151,302		-		151,302
Contributions		-		-		-
Disinvested amounts from Board-designated endowment		-		(73,943)		(73,943)
Appropriation of endowment assets pursuant to spending policy		(51,115)		-		(51,115)
Endowment net assets, end of year	**$**	**951,498**	**$**	**-**	**$**	**951,498**

Year Ended December 31, 2022		With Donor Restrictions		Board Designated		Total
Endowment net assets, beginning of year	$	1,087,302	$	94,440	$	1,181,742
Investment return, net		(179,594)		(15,599)		(195,193)
Contributions		-		-		-
Distribution from board-designated endowment pursuant to distribution policy		-		(4,898)		(4,898)
Appropriation of endowment assets pursuant to spending policy		(56,397)		-		(56,397)
Endowment net assets, end of year	**$**	**851,311**	**$**	**73,943**	**$**	**925,254**

As previously stated, during the year ended December 31, 2023, the Board approved a dissolution of the Board Designated Fund which released the December 31, 2022 balance of $73,943. During the year ended December 31, 2022, a reclassification of $133,823 was made from Board Designated to With Donor Restrictions based on percentage allocation of initial contributions to the endowment fund.

NOTE 5 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are estimated to be collected as follows at December 31:

		2023		2022
Due within one year	$	563,000	$	416,802
Due in one to five years		-		-
Due in over five years		-		-
		563,000		416,802
Less allowance for uncollectible accounts		-		-
Contributions receivable, net	**$**	**563,000**	**$**	**416,802**

Contributions receivable balances of $563,000 and $416,802 were restricted by donor specified purposes as of December 31, 2023 and 2022, respectively.

NOTE 6 – LINE OF CREDIT

During the year ended December 31, 2023, the Organization opened a charge card with Ramp Business Corporation with a limit of $32,000. Unpaid balances are reported as accounts payable. There was no outstanding amounts as of December 31, 2023, a full statement payment is required at the end of each statement period as this is not a credit card.

During the year ended December 31, 2022, the Organization had a credit card line of credit with Wells Fargo for $32,000. Unpaid balances were reported as accounts payable. There was no amount outstanding as of December 31, 2022.

NOTE 7 - LEASES

The Organization had entered into a 51 month lease for office space commencing April 1, 2021 through June 30, 2025, with multiple rent escalations over the life of the lease. Additionally, the Organization had entered into two other leases for office equipment, one lease was for 60 months commencing October 28, 2021 through September 27, 2026 and the other was for 63 months which commenced on January 8, 2019 though April 8, 2024.

CAA has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

The weighted-average discount rate is based on the discount rate implicit in the lease. CAA has elected the option to use the risk-free rate determined using a period comparable to the lease terms as the discount rate for leases where the implicit rate is not readily determinable and has applied the risk-free rate option to the office space and equipment classes of assets.

Upon adoption of ASC842, the Organization elected the package of practical expedients that permits no reassessment at adoption of (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases.

The right-of-use assets and corresponding liabilities associated with future lease payments as of the years ended December 31:

	Operating	
	2023	**2022**
Weighted average:		
Discount rate	0.91%	0.91%
Remaining lease term (in years)	1.66	2.66

For the years ended December 31, 2023 and 2022, total operating lease cost was $63,035 and $62,512 and cash paid for rent was $61,870 and $60,744, respectively.

NOTE 7 - LEASES (continued)

Future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of December 31, 2023:

Years Ended December 31,	Office Space	Copier	Office Equipment	Total
2024	$ 55,137	$ 6,069	$ 447	$ 61,653
2025	27,991	6,069	-	34,060
2026	-	4,552	-	4,552
2027	-	-	-	-
2028	-	-	-	-
Thereafter	-	-	-	-
Total lease payments	83,128	16,690	447	100,265
less interest	(508)	(264)	-	(772)
Present value of lease liabilities	**$ 82,620**	**$ 16,426**	**$ 447**	**$ 99,493**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31:

	2023	2022
Subject to expenditure for specified purpose:		
AZ center	$ 646,784	$ 678,370
Child welfare	111,146	199,111
Early childhood	188,006	294,342
Health policy	589,272	506,032
Opportunity passport	25,455	48,600
Southern AZ	31,832	29,881
Endowment earnings (deficiencies)	76,498	(23,689)
	1,668,994	1,732,647
Subject to the passage of time		
2023 operations	-	89,461
	-	89,461
Perpetual in nature, earnings from which are subject to endowment spending policy & appropriation:		
Endowment corpus	875,000	875,000
	875,000	875,000
Total net assets with donor restrictions	**$ 2,543,994**	**$ 2,697,108**

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the years ended December 31:

	2023	2022
Subject to specified purpose:		
AZ center	$ 678,370	$ 737,697
Child welfare	184,815	142,183
Early childhood	288,381	90,783
Health policy	506,032	249,369
Opportunity passport	48,600	5,000
Southern AZ	29,881	18,727
	1,736,079	1,243,759
Restricted-purpose spending-rate distributions & appropriations:		
Early Childhood Development Director	51,115	56,397
	51,115	56,397
Subject to specified time:		
2023 operations	89,461	-
	89,461	-
Investment losses on donor restricted endowment funds:		
Net endowment loss	-	179,594
	-	179,594
Total net assets released from donor restrictions	**$ 1,876,655**	**$ 1,479,750**

There were $416,761 and $211,863 net assets received and released for the years ended December 31, 2023 and 2022, respectively.

NOTE 9 – NET ASSETS DESIGNATED BY THE BOARD

Net assets without donor restriction, but designated by the Board consisted of the following at December 31:

	2023	2022
Designated for specific purposes:		
Operating reserve	$ 460,610	$ -
Quasi endowment fund for Early Childhood Development Director	-	73,943
Total net assets designated by the Board	**$ 460,610**	**$ 73,943**

NOTE 10 – CONCENTRATIONS OF REVENUE

The Organization's primary source of revenue is grants. The concentrations of revenue for CAA consisted of the following for the year ended December 31:

	2023	2022
Grants	80%	94%
Investment earnings, net	14%	0%
Corporate, individual & foundation contributions	3%	5%
Government contributions	2%	0%
Special event revenue, net	1%	1%
	100%	100%

NOTE 11 – EMPLOYEE BENEFIT PLAN

The Organization sponsors a 403(b) retirement plan for eligible employees, employees after 6 months of service. Contributions are determined annually by the Board of Directors but are limited to an amount allowable by income tax regulations and are limited to employees employed on 12/31. Upon an employee leaving the Organization, 100% of the employees' contributions are available to the employee and the employer contributions are vested at a rate of 20% per year, with 100% being vested as of five year from the employee's hire date. The contributions for 2023 and 2022 were $22,927 and $31,497, which was a match of up to 3% of the participating employees' salaries.