Children's Action Alliance, Inc.

(A Not-for-Profit Organization)

Financial Statements and
Independent Auditors' Report

As of and for the Year Ended
December 31, 2025
(With Summarized Comparative Totals for 2024)

LINKED ACCOUNTING LLP
Linking Knowledge with Power

Table of Contents

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children's Action Alliance, Inc.
Phoenix, AZ

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Children's Action Alliance, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2025, and the related statements of activities, functional expenses, and cash flows for the year 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 the Organization as of December 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 the Organization'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 auditors' 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 the Organization'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 the Organization'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–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's December 31, 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2024 is consistent, in all material respects, with the audited financial statement from which it has been derived.

Linked Accounting, LLP

Kaysville, UT
June 15, 2026

Children's Action Alliance, Inc.
Statements of Financial Position
As of December 31, 2025 and 2024

	2025	2024
ASSETS		
Current assets		
Cash and cash equivalents	$ 790,418	$ 631,580
Contributions receivable, current	193,000	390,250
Prepaid expenses	13,200	15,280
Total current assets	996,618	1,037,110
Noncurrent assets		
Investments, fair value	1,761,798	1,765,057
Contributions receivable, net of current	-	68,000
Endowment, fair value	1,026,950	987,658
Right of use asset, net	236,800	37,413
Property and equipment, net	43,670	12,905
Security deposit	9,846	-
Total noncurrent assets	3,079,064	2,871,033
Total assets	$ 4,075,682	$ 3,908,143
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 23,800	$ 5,997
Accrued liabilities	86,450	25,892
Lease liabilities, current	45,900	33,922
Total current liabilities	156,150	65,811
Noncurrent liabilities		
Lease liabilities, net of current	195,756	4,534
Total noncurrent liabilities	195,756	4,534
Total liabilities	351,906	70,345
Without donor restrictions		
Undesignated	1,214,025	892,371
Board designated	458,014	458,014
Total without donor restrictions	1,672,039	1,350,385
With donor restrictions	2,051,737	2,487,413
Total net assets	3,723,776	3,837,798
Total liabilities and net assets	$ 4,075,682	$ 3,908,143

See accompanying notes to financial statements and independent auditors' report.

Children's Action Alliance, Inc.
Statements of Activities
For the Year Ended December 31, 2025 with Summarized Comparative Totals for 2024

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
Revenue and Support				
Grants	$ 823,265	$ 663,839	$ 1,487,104	$ 2,080,442
Investment income, net	279,448	74,570	354,018	266,730
Government contributions	219,323	-	219,323	-
Corporate and individual contributions	123,899	-	123,899	102,322
Net special event revenue	47,110	-	47,110	46,415
In-kind contributions	338	-	338	-
Other	-	-	-	11,139
Net assets released from restriction pursuant to endowment spending-rate distribution formula	50,500	(50,500)	-	-
Net assets released from restrictions - other	1,123,585	(1,123,585)	-	-
Total revenue and support	2,667,468	(435,676)	2,231,792	2,507,048
Expenses				
Program services	1,889,424	-	1,889,424	2,045,543
Supporting activities				
Management and general	331,806	-	331,806	192,454
Development	124,584	-	124,584	151,219
Total expenses	2,345,814	-	2,345,814	2,389,216
Change in net assets	321,654	(435,676)	(114,022)	117,832
Net assets, beginning of the year	1,350,385	2,487,413	3,837,798	3,719,966
Net assets, end of the year	$ 1,672,039	$ 2,051,737	$ 3,723,776	$ 3,837,798

See accompanying notes to financial statements and independent auditors' report.

Children's Action Alliance, Inc.
Statements of Functional Expenses
For the Year Ended December 31, 2025 with Summarized Comparative Totals for 2024

	Program Services	Supporting Activities: Management and General	Supporting Activities: Development	Supporting Activities: Cost of Direct Benefits to Donors	Supporting Activities: Supporting Subtotal	Total Functional Expenses: 2025	Total Functional Expenses: 2024
Salaries and wages	$ 986,975	$ 67,555	$ 75,706	$ -	$ 143,261	$ 1,130,236	$ 1,158,274
Payroll taxes	78,663	5,384	6,034	-	11,418	90,081	92,373
Employee related	102,962	10,461	8,204	-	18,665	121,627	112,369
Accounting	-	91,225	-	-	91,225	91,225	23,895
Advertising	65,831	-	-	-	-	65,831	78,500
Conference and meeting	21,124	3,622	5,581	9,255	18,458	39,582	35,902
Contract	323,291	65,563	11,250	-	76,813	400,104	414,400
Depreciation	3,402	11,697	-	-	11,697	15,099	24,529
Grants to others	128,377	-	-	-	-	128,377	164,179
Information technology	31,835	19,627	2,862	-	22,489	54,324	26,020
Insurance	5,075	1,392	1,114	-	2,506	7,581	8,073
Investment expenses	-	23,374	-	-	23,374	23,374	21,503
Legal	-	2,354	-	-	2,354	2,354	-
Miscellaneous	580	1,802	99	-	1,901	2,481	2,455
Occupancy	48,583	4,547	5,611	-	10,158	58,741	77,019
Office expense	29,515	36,684	5,565	-	42,249	71,764	114,134
Other fees for service	14,299	9,893	2,496	-	12,389	26,688	15,603
Travel	48,912	-	62	-	62	48,974	44,743
Total expenses by function	1,889,424	355,180	124,584	9,255	489,019	2,378,443	2,413,971
Less expenses included with support and revenue in the Statement of Activities:							
Cost of direct benefits to donors	-	-	-	(9,255)	(9,255)	(9,255)	(3,252)
Investment expenses	-	(23,374)	-	-	(23,374)	(23,374)	(21,503)
Total expenses included in the expense section on the Statement of Activities	$ 1,889,424	$ 331,806	$ 124,584	$ -	$ 456,390	$ 2,345,814	$ 2,389,216

See accompanying notes to financial statements and independent auditors' report.

Children's Action Alliance, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	$ (114,022)	$ 117,832
Adjustments to reconcile change in net assets		
to cash provided by operating activities:		
Depreciation	15,099	24,529
Net realized and unrealized gain on investment	(177,681)	(127,277)
Net realized and unrealized gain on endowment	(110,085)	(85,683)
Change in operating assets and liabilities:		
Contributions receivable	265,250	104,750
Prepaid expenses	2,080	(6,397)
Security deposit	(9,846)	-
Operating lease assets and liabilities	3,813	(1,241)
Accrued payable	17,803	5,996
Accrued liabilities	60,558	(8,999)
Net cash (used in) provided by operating activities	(47,031)	23,510
Cash Flows From Investing Activities:		
Net change in investments	148,233	189,424
Purchase of equipment	(45,864)	-
Withdrawal from endowment	103,500	50,500
Net cash provided by investing activities	205,869	239,924
Cash Flows From Financing Activities:	-	-
Net change in cash and cash equivalents	158,838	263,434
Cash and Cash Equivalents		
Beginning of year	631,580	368,146
End of year	$ 790,418	$ 631,580
Supplemental Schedule of Non-cash Investing and Financing Activity		
Establishment of operating lease asset and liability	$ 253,810	$ -

See accompanying notes to financial statements and independent auditors' report.

Children's Action Alliance, Inc.
Notes to the Financial Statements
December 31, 2025 and 2024

1. Organization and Summary of Significant Accounting Policies

Organization

Children's Action Alliance, Inc. (the "Organization" or "CAA") is an independent advocacy organization serving as a voice for Arizona's children for over 38 years. CAA is committed to improving the well-being of children and families in Arizona by working collaboratively with partners and policymakers to advance policies and budget decisions that achieve our vision – an Arizona where all children and families thrive. The Organization achieves this by working across the State of Arizona with community members, as well as state, federal, local, and tribal government officials to advocate for policies that promote the health, education, economic security, and safety of children and families. The advocacy efforts are guided by the commitments to justice, community, equity, integrity, and optimism.

Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Comparative Financial Information

The accompanying 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 (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2024, from which the summarized information was derived.

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. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition. For the year ended December 31, 2025, cash and cash equivalents do not include cash or money market funds held within pooled investment or endowment accounts. Such amounts are managed as part of the Organization's investment portfolio and are reported as investments on the Statement of Financial Position. These balances may include cash awaiting investment, cash held for settlement of investment transactions, or cash otherwise maintained by investment managers as part of the pooled investment account. Because these amounts are held and managed within the investment portfolio rather than as part of the Organization's operating cash management, they are classified with investments.

1. Organization and Summary of Significant Accounting Policies - Continued

Receivables and Credit Policies

Contributions receivable consists of grants 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.

An allowance for credit losses is determined 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, 2025 and 2024, management expects the amounts to be fully collectible and therefore has not established an allowance for credit losses.

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 Statement of Financial Position. Net investment return 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

The Organization manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by management to be creditworthy. At times, amounts on deposit may exceed insured limits. As of December 31, 2025 and 2024, the CAA's deposits did not exceed federally insured limits. To date, CAA has not experienced losses in any of these accounts.

Property and Equipment

CAA records property and equipment additions over $2,500 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 8 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

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.

1. Organization and Summary of Significant Accounting Policies - Continued

Net Assets With Donor 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 may be perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. 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.

Leases

The Organization determines if an arrangement is a lease at inception. Contracts containing a lease are further evaluated for classification as an operating or finance lease. In determining the leases classification the Organization assesses among other criteria: (i) 75% or more of the remaining economic life of the underlying asset is a major part of the remaining economic life of that underlying asset; and (ii) 90% or more of the fair value of the underlying asset comprises substantially all of the fair value of the underlying asset.

Operating leases are included in operating lease right-of-use (“ROU”) assets and long-term operating lease liabilities in the Organizations Statement of Financial Position. Finance leases are included in property, plant and equipment, net and long-term finance lease liabilities in the Organization’s Statement of Financial Position. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the Organization’s obligation to make lease payments arising from the lease. For leases with terms greater than 12 months and calculated right-of-use asset over $5,000, the Organization records the ROU asset and liability at commencement date based on the present value of lease payments according to their term.

The Organization has elected the option to use the risk-free rate determined using a period comparable to the lease term as the discount rate for leases where the implicit rate is not readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expenses are recognized on a straight-line basis over the lease term or the useful life of the leased asset.

In addition, the carrying amount of the ROU and lease liabilities are remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

During the years ended December 31, 2025 and 2024, the Organization had a short-term lease for a storage unit. Additionally, the Organization had a short-term lease for a post office box. Total rent expense for the years ended December 31, 2025 and 2024 on these lease agreements was $2,692 and $2,244, respectively.

1. Organization and Summary of Significant Accounting Policies – Continued

Revenue and Revenue Recognition

The Organization recognizes income from contributions and grants following guidance of FASB ASC 2018-08 – Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958). Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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.

The Organization recognizes revenue from exchange transactions in accordance with FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers. The core principle is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participants at the event. The fair value of the food, beverages and entertainment provided at the special events is measured at the actual cost to the Organization. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of the direct donor benefits in the accompanying Statement of Activities.

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 non-financial assets or require specialized skills that the Organization would normally purchase, if not provided by a contribution. Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

Estimates

The preparation of financial statements in conformity with GAAP requires us 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. Actual results could differ from those estimates.

1. Organization and Summary of Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional fees, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

Advertising Expenses

Advertising expenses are expensed as incurred and totaled $65,831 and $78,500 for the years ended December 31, 2025 and 2024, respectively.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code and, therefore, has no provision for income taxes. In addition, The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Organization adopted the provisions of ASC 740, *Income Taxes*, on January 1, 2009. As required by the uncertain tax position guidance in ASC 740, the Organization recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position after an audit. At the adoption date, the Organization applied the uncertain tax position guidance in ASC 740 to all tax positions for which the statute of limitations has remained open. As a result of the implementation of the uncertain tax position guidance in ASC 740, the Organization has not recognized additional liability for unrecognized tax benefits nor any interest and penalties as of December 31, 2025. Management does not anticipate that this will change significantly in the next twelve months.

The Organization files income tax returns in the U. S. federal jurisdiction. Tax regulations within each jurisdiction are subject to interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, The Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before 2022.

Contingencies

The Organization may be subject to legal proceedings, claims, or litigation arising in the ordinary course of business for which it may seek the advice of legal counsel. Management estimates that the cost to resolve such matters, if any, would not be material to the financial statements. However, it is reasonably possible that such estimates may change within the near term.

1. Organization and Summary of Significant Accounting Policies – Continued

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements. The reclassifications had no impact on previously reported total net assets.

Subsequent Events

Subsequent events have been evaluated through the independent auditors' report date, which is the date the financial statements were available to be issued and have determined no events require disclosure.

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, comprise the following as of December 31:

	2025	2024
Financial assets		
Cash and cash equivalents	$ 790,418	$ 631,580
Contributions receivable, current	193,000	390,250
Total financial assets	983,418	1,021,830
Less amounts not available to be used for general expenditures:		
Investment cash	-	27,194
Endowment cash	-	15,222
Board designated operating reserve *	458,014	458,014
	458,014	500,430
Total amount available for general expenditures	$ 525,404	$ 521,400

* 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.

3. Contributions Receivable

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

	2025	2024
Due within one year	$ 193,000	$ 390,250
Due in one to five years	-	68,000
	193,000	458,250
Less: allowance for uncollectable accounts	-	-
Contributions receivable, net	$ 193,000	$ 458,250

4. Investments

CAA reports certain assets at fair value in the 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 the Organization 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, the Organization develops inputs using the best information available in the circumstances.

As of December 31, 2025 and 2024, the Organization's investments consisted of fixed income, U.S. and foreign equities, long-term diversified pool and cash and money market funds. The equities are considered level 1 with readily determinable fair values based on daily redemption values. The fixed income funds are classified as level 2 as they do not have regular market pricing, but their fair value can be determined based on other observable data values or market prices. The long-term diversified pooled funds are held in a fund managed by Arizona Community Foundation (ACF) which is invested 100% in the Socially Responsible Pool. The long-term diversified pool funds are classified as level 2 as the Organization holds a pooled investment.

Investments consist of the following at December 31, 2025:

	Level 1	Level 2	Level 3	Total
Operating investments:				
Cash and money market funds (at cost)	$ -	$ -	$ -	$ 38,504
Fixed income	-	657,095	-	657,095
US equities	360,558	-	-	360,558
Foreign equities	100,546	-	-	100,546
Long-term diversified pool	-	605,095	-	605,095
	$ 461,104	$ 1,262,190	$ -	$ 1,761,798
Endowment investments:				
Cash and money market funds (at cost)	$ -	$ -	$ -	$ 19,471
Fixed income	-	415,560	-	415,560
US equities	463,335	-	-	463,335
Foreign equities	128,584	-	-	128,584
	$ 591,919	$ 415,560	$ -	$ 1,026,950

4. Investments - Continued

Investments consist of the following at December 31, 2024:

	Level 1	Level 2	Level 3	Total
Operating investments:				
Fixed income	$ -	$ 741,779	$ -	$ 741,779
US equities	385,892	-	-	385,892
Foreign equities	100,305	-	-	100,305
Long-term diversified pool	-	537,081	-	537,081
	$ 486,197	$ 1,278,860	$ -	$ 1,765,057
Endowment investments:				
Cash and money market funds (at cost)	$ -	$ -	$ -	$ 15,222
Fixed income	-	397,413	-	397,413
US equities	427,801	-	-	427,801
Foreign equities	109,444	-	-	109,444
Series HH bonds (at cost)	-	-	-	53,000
	$ 537,245	$ 397,413	$ -	$ 1,002,880

5. Endowment

The Organization’s donor restricted endowment at December 31, 2025 and 2024 consisted of investments and cash. The fund was established for a Director of Early Childhood Development, with original gifts totaling $875,000.

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

5. Endowment - Continued

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

CAA had the following endowment net asset composition by type of fund at December 31:

Year ended December 31, 2025	Without Donor Restrictions	With 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 gain	-	151,950	151,950
	$ -	**$ 1,026,950**	**$1,026,950**

Year ended December 31, 2024 *	Without Donor Restrictions	With 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 gain	-	127,880	127,880
	$ -	**$ 1,002,880**	**$1,002,880**

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. As of the years ended December 31, 2025 and 2024, the endowment was not underwater.

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).

5. Endowment - Continued

Changes in endowment net assets are as follows:

Year ended December 31, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 1,002,880	$ 1,002,880
Investment return, net	-	74,570	74,570
Appropriation of endowment assets pursuant to spending policy	-	(50,500)	(50,500)
Endowment net assets, end of year	**$ -**	**$ 1,026,950**	**$1,026,950**

Year ended December 31, 2024 *	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ -	$ 951,498	$ 951,498
Investment return, net	-	101,882	101,882
Appropriation of endowment assets pursuant to spending policy	-	(50,500)	(50,500)
Endowment net assets, end of year	**$ -**	**$ 1,002,880**	**$1,002,880**

* For the year ended December 31, 2024, cash and cash equivalents held in the endowment account, $15,222, is included on the statement of financial position in cash and cash equivalents.

6. Property and Equipment

Property and equipment consisted of the following asset categories as of December 31:

	Estimated Useful Lives	2025	2024
Furniture and equipment	3 - 8 years	$ 98,554	$ 71,347
Leasehold improvements	3 - 4 years	18,657	49,143
Less: Accumulated depreciation		(73,541)	(107,585)
Total property and equipment, net		$ 43,670	$ 12,905

Depreciation expense for the years ended December 31, 2025 and 2024 was $15,099 and $24,529, respectively.

7. Leases

Pursuant to ASC 842, an operating lease right-of-use (“ROU”) asset and liability were recognized based on the present value of lease payments over the remaining lease term. The ROU asset represents the Organization’s right to use the underlying asset for the lease term, and the lease liability represents the Organization’s obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in arrangements is not readily determinable and the Organization utilizes its incremental borrowing rate in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

7. **Leases - Continued**

Operating leases:
The Organization had entered into a 65-month lease for office space commencing July 1, 2025, through November 30, 2030, with multiple rent escalations over the life of the lease. Additionally, the Organization had entered into a lease for office equipment, for 60 months commencing October 28, 2021, through September 27, 2026. Discount rate on the leases range from 1.2% to 3.8% (the risk-free rate). Leases effective during the year ended December 31, 2024 include the office equipment lease as well as a 51-month lease for office space commencing April 1, 2021, through June 30, 2025. Discount rate on the leases range from 0.9% to 1.2% (the risk-free rate).

Operating lease assets and liabilities consisted of the following at December 31:

	2025	2024
Assets:		
Right of use assets	$ 283,017	$ 263,513
Less: Amortization of right of use assets	(46,217)	(226,100)
Right of use assets, net	$ 236,800	$ 37,413
Liabilities:		
Operating lease liabilities, current	$ 45,900	$ 33,922
Operating lease liabilities, net of current	195,756	4,534
Total lease liabilities	$ 241,656	$ 38,456

The supplemental balance sheet information related to leases as of December 31:

	2025	2024
Weighted-average lease term in years:	4.8	0.8
Weighted -average discount rate:	3.8%	1.0%
Operating lease costs:		
Amortization of leased assets	$ 83,630	$ 59,796
Interest on lease liabilities	4,802	615
Total operating lease costs	$ 88,432	$ 60,411

The following table presents the annual maturities of the lease liabilities for the years ended December 31:

2026	$ 56,548
2027	51,997
2028	51,997
2029	51,997
2030	47,663
Total future lease payments	260,202
Less interest portion	(18,546)
Present value of lease liabilities	241,656
Less current portion	(45,900)
Long term lease obligations	$ 195,756

8. Net Assets with Donor Restrictions

Donor restricted assets are restricted for the following programs as of December 31:

	2025	2024
Subject to expenditure for specified purposes:		
AZ Center	$ 460,805	$ 451,921
Child Welfare	113,125	146,249
Early Childhood	16,371	19,635
Health Policy	401,510	813,012
Southern AZ	32,976	53,716
	1,024,787	1,484,533
Endowment:		
Subject to endowment spending policy and appropriation:		
Early Childhood Development Director	151,950	127,880
Not subject to spending policy or appropriation:		
Endowment corpus - held in perpetuity	875,000	875,000
	1,026,950	1,002,880
Total net assets with donor restrictions	$ 2,051,737	$ 2,487,413

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

	2025	2024
Satisfaction of purpose restrictions:		
AZ Center	$ 374,504	$ 514,923
Child Welfare	115,782	45,065
Early Childhood	19,635	188,006
Health Policy	559,948	532,671
Kids Count	-	-
Opportunity Passport	-	25,455
Southern AZ	53,716	31,832
	1,123,585	1,337,952
Restricted-purpose spending-rate distributions		
Early Childhood Development Director	50,500	50,500
Total net assets released from donor restrictions	$ 1,174,085	$ 1,388,452

During the years ended December 31, 2025 and 2024, there was $755,290 and $780,152, respectively, in revenue that was restricted by the donor but reported as an increase in net assets without donor restrictions as the restrictions expired during the year.

9. Net Assets Designated by the Board

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

	2025	2024
Designated for specific purposes:		
Operating reserve	$ 458,014	$ 458,014

10. In-kind Contributions

Contributed nonfinancial assets recognized within the Statement of Activities included $338 and $0 in donated accounting services for the years ended December 31, 2025 and 2024, respectively. These services were provided by a single donor. The accounting services were used in management and general activities and were recognized at fair value based on current rates for similar services.

11. Employee Benefit Plan

The Organization sponsors a 403(b)-retirement plan for eligible employees. Employees may become eligible 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 years from the employee's hire date. The employer contributions for 2025 and 2024 were $7,402 and $4,826, respectively. This amount was less than the match of up to 3% of the participating employees' salaries of due to the offset of employee forfeitures during both 2025 and 2024.

12. Related party

During the year ended December 31, 2025, the Organization paid consulting fees of $3,300 to a Board member.