CHRISTIAN FAMILY CARE AGENCY, INC.
Financial Statements
September 30, 2023
With Independent Auditors' Report

JDS professional group
certified public accountants, consultants and advisors

JDS professional group
certified public accountants, consultants and advisors, LLC

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Christian Family Care Agency, Inc.

Opinion

We have audited the accompanying financial statements of Christian Family Care Agency, Inc. (an Arizona, not-for-profit organization), which comprise the statement of financial position as of September 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the financial position of Christian Family Care Agency, Inc. as of September 30, 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Christian Family Care Agency, Inc. 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 Christian Family Care Agency, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards 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.

INDEPENDENT AUDITORS' REPORT (continued)

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Christian Family Care Agency, 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 Christian Family Care Agency, 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

JDS Professional Group
Certified Public Accountants, Consultants and Advisors, LLC

January 29, 2024

CHRISTIAN FAMILY CARE AGENCY, INC.
Statement of Financial Position
September 30, 2023

ASSETS		
Cash and cash equivalents	$	3,677,627
Accounts receivable, net		323,760
Prepaid expenses		181,841
Investments		2,660,500
Investment restricted for deferred compensation plan		128,192
Cash restricted for charitable trust		57,695
Investments restricted for charitable trust		1,537,845
Deposits		15,471
Right-of-use assets, net		313,806
Property and equipment		6,247,899
Total Assets	$	15,144,636
LIABILITIES		
Accounts payable	$	129,873
Accrued liabilities		
Payroll and other benefits		393,076
Deferred compensation plan		128,192
Deferred revenue		9,327
Agency fund		6,851
Lease liabilities		331,736
Note payable		3,119,034
Total Liabilities		4,118,089
NET ASSETS		
Without donor restrictions		9,052,274
With donor restrictions		1,974,273
Total Net Assets		11,026,547
Total Liabilities and Net Assets	$	15,144,636

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

CHRISTIAN FAMILY CARE AGENCY, INC.
Statement of Activities
For the Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Service fees	$ 3,242,430	$ -	$ 3,242,430
Contributions of cash and other financial assets	5,081,384	477,260	5,558,644
Contributions of nonfinancial assets	42,563	-	42,563
Thrift store sales	660,904	-	660,904
Investment income, net	153,958	170,515	324,473
Interest and royalty income	36,925	-	36,925
Other	1,170	-	1,170
Net assets released from restrictions:			
Satisfaction of program restrictions	596,284	(596,284)	-
Satisfaction of property restrictions	2,875	(2,875)	-
Total Revenues and Other Support	9,818,493	48,616	9,867,109
EXPENSES			
Program services	7,935,507	-	7,935,507
Supporting activities			
Fundraising	1,019,426	-	1,019,426
General and administrative	1,215,124	-	1,215,124
Total Supporting Activities	2,234,550	-	2,234,550
Total Expenses	10,170,057	-	10,170,057
CHANGES IN NET ASSETS	(351,564)	48,616	(302,948)
NET ASSETS, beginning of year	9,403,838	1,925,657	11,329,495
NET ASSETS, end of year	$ 9,052,274	$ 1,974,273	$ 11,026,547

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

CHRISTIAN FAMILY CARE AGENCY, INC.
Statement of Functional Expenses
For the Year Ended September 30, 2023

	Program Services				
	Adoption/ Pregnancy	Counseling	Foster Care	Family Care KIDS	Other
Salaries	1,044,255	$ 962,207	$ 1,197,047	$ 550,736	$ 273,206
Employee benefits and taxes	223,457	227,279	258,363	36,934	61,688
Total Salaries and Related Benefits	1,267,712	1,189,486	1,455,410	587,670	334,894
Professional services	3,892	4,899	2,649	3,727	6,464
Printing and marketing	124,612	42,798	192,629	38,379	92,152
Office	69,584	85,022	85,630	15,246	19,701
Facilities	43,296	49,667	52,544	48,627	12,434
Rent	6,847	31,187	12,405	51,809	1,420
Insurance	45,351	42,825	149,676	7,907	13,291
Employee training and other related	6,702	3,226	6,455	6,004	4,659
Travel and transportation	44,169	3,558	26,071	49	3,807
Dues and subscriptions	839	3,433	3,219	722	1,785
Birth mother living and legal fees	38,907	-	-	-	-
Therapeutic foster and respite care	83	-	592,428	-	-
Foster care recruitment and training	7,471	-	-	-	-
Banking fees	2,273	5,090	40	-	-
Interest	12,707	17,819	14,026	275	3,909
Bad debts	-	14,473	8,383	-	-
Depreciation	18,117	28,823	44,195	78,417	10,980
Other	12,502	24,519	23,448	27,478	4,740
Total Expenses	$ 1,705,064	$ 1,546,825	$ 2,669,208	$ 866,310	$ 510,236

		Supporting Activities			
Thrift Stores	Total Program Services	Fundraising	General and Administrative	Total Supporting Activities	Total
$ 232,021	$ 4,259,472	$ 279,872	$ 620,937	$ 900,809	$ 5,160,281
49,220	856,941	50,674	93,667	144,341	1,001,282
281,241	5,116,413	330,546	714,604	1,045,150	6,161,563
16,746	38,377	127,253	139,974	267,227	305,604
6,531	497,101	383,065	158,095	541,160	1,038,261
24,261	299,444	20,761	50,454	71,215	370,659
29,692	236,260	14,543	25,094	39,637	275,897
157,527	261,195	-	2,316	2,316	263,511
100,316	359,366	12,754	26,091	38,845	398,211
461	27,507	146	34,609	34,755	62,262
9,145	86,799	186	644	830	87,629
-	9,998	10,809	7,772	18,581	28,579
-	38,907	-	-	-	38,907
-	592,511	-	-	-	592,511
-	7,471	-	-	-	7,471
1,742	9,145	104,105	8,952	113,057	122,202
415	49,151	5,776	7,731	13,507	62,658
-	22,856	-	-	-	22,856
3,993	184,525	5,765	23,426	29,191	213,716
5,794	98,481	3,717	15,362	19,079	117,560
$ 637,864	$ 7,935,507	$ 1,019,426	$ 1,215,124	$ 2,234,550	$ 10,170,057

CHRISTIAN FAMILY CARE AGENCY, INC.
Statement of Cash Flows
For the Year Ended September 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	$ (302,948)
Adjustments to reconcile change in net assets to net cash used in operating activities	
Depreciation	213,716
Donated stock	(2,206)
Restricted investment income, net	(170,515)
Investment income, net	(153,958)
Right-of-use assets	206,868
Changes in assets and liabilities, net	
(Increase) decrease in assets:	
Accounts receivable	52,179
Unconditional promises to give	2,875
Prepaid expenses	(40,669)
Increase (decrease) in liabilities:	
Accounts payable	(12,959)
Accrued payroll and other benefits	62,132
Deferred revenue	9,327
Agency fund	(102)
Lease liabilities	(188,938)
Net Cash Used in Operating Activities	(325,198)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(159,540)
Distributions from charitable trust	89,870
Purchases of property and equipment	(53,483)
Net Cash Used in Investing Activities	(123,153)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on notes payable	(271,036)
Net Cash Used in Financing Activities	(271,036)
NET DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(719,387)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, beginning of year	4,454,709
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, end of year	$ 3,735,322

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

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

Description of Organization

Christian Family Care Agency, Inc. ("CFC"), incorporated in March 1982 in the State of Arizona, is a not-for-profit corporation. CFC is a social services organization that envisions a future where every child is loved and nurtured in Christ-centered families and their purpose is to strengthen the family and serve Arizona's vulnerable children in the name of Jesus Christ. CFC provides family resources, early childhood education, adoption, foster care, family empowerment coaching and counseling programs focused on meeting the needs of pregnant women, children, young adults and families throughout Arizona. CFC also operates two thrift stores that fund their adoption, foster care and counseling programs.

CFC is a qualified charitable organization in the State of Arizona to receive foster care tax credit contributions that provide immediate basic needs to Arizona residents who are low income, chronically ill, or physically disabled. Contributions received must be allocated at least 50 percent for qualified services that aid qualified residents and individuals in the foster care system.

CFC has contracts with the Arizona Department of Child Safety (DCS) and the Arizona Department of Economic Security (DES) to provide certain client services to families and individuals within their programs. This income is subject to specific compliance and service delivery requirements and are subject to review by the grantor. During the year ended September 30, 2023, CFC received 12% of its revenues and support from services fees related to contracts with DCS and DES.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Presentation of Financial Statements for Not-for-Profit Entities*. Under this standard, the Organization is required to report information regarding financial position and activities according to the following net assets classifications:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those that will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds must be maintained in perpetuity.

Use of Estimates

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

NOTE 2 – Summary of Significant Accounting Policies (continued)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America.

Recently Adopted Accounting Pronouncements

Effective October 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases*, which required lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to reassess at adoption (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. As a result of implementing ASU No. 2016-02, the Organization recognized operating right-of-use assets and liabilities of $520,674, in its statement of financial position as of October 1, 2022. The adoption did not result in a significant effect on amounts reported on the statement of activities for the year ended September 30, 2023.

Cash, Cash Equivalents and Restricted Cash

Cash, cash equivalents and restricted cash consist of deposits in checking and savings accounts. Deposits at financial institutions are insured in limited amounts by the Federal Deposit Insurance Corporation (FDIC) and these deposits may exceed the insurance amounts provided by the FDIC. The risk is managed by maintaining all deposits in high-quality financial institutions.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position for the year ended September 30, 2023, that sums to the same amounts shown on the statement of cash flows:

Cash and cash equivalents	$3,670,376
Cash and cash equivalents restricted for charitable trust	57,695
Total cash, cash equivalents and restricted cash	$3,728,071

Supplementary Cash Flow Statement Disclosures

Cash paid for interest during the year was $65,179, none of which was capitalized. No cash was paid for income or excise taxes.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on management's assessment of the current status of individual accounts. The Organization's policy is to charge off uncollectible accounts receivable when management determines the receivables will not be collected.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Unconditional Promises to Give

Unconditional promises to give are recognized as revenues in the period the unconditional promises are received and are stated at the unpaid balances. All unconditional promises to give were collected during the year.

Property and Equipment

Land, buildings and equipment are stated at cost, or, for donated assets, the fair value as of the date of donation. Maintenance and repairs are expensed as incurred; significant acquisitions and improvements, which cost more than $1,500 with a useful life of more than three years are capitalized, or for leasehold improvements, over the term of the lease. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 years
Improvements	2 - 25 years
Equipment, fixtures and vehicles	3 - 7 years

Investments and Fair Value Measurements

The Organization uses fair value measurements which among other things requires enhanced disclosures about investments that are measured and reported at fair value and establishes a framework for measuring fair value. That framework provides a 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 the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Investments and Fair Value Measurements (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds: The fair value of mutual funds is based on quoted net asset values of the shares as reported by the fund. The mutual funds held by the Organization are open-end mutual funds registered with the U.S. Securities and Exchange Commission. The funds must publish their daily net asset value and transact at their price. The mutual funds held by the Organization are considered to be actively traded.

Fixed income securities, equities, bonds, and government obligations: Valued at the closing price reported on the active market on which the individual securities are traded.

Equity securities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mineral rights: The fair value of mineral rights is based on quoted values of the interests as reported by Plains Capital Bank.

Single premium immediate annuity (deferred compensation plan): Valued at the present value of future payments determined on an actuarial basis.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statement of financial position.

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate fair value because of the immediate or short-term maturities of these financial instruments.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets, an unconditional promise to give or notification of beneficial interest is received. Unconditional promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period on which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction is satisfied (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.

Service fee revenue is derived from resource provider contracts and from individuals, which are conditioned upon certain performance requirements being provided by the Organization, including foster care, adoption and counseling. Amounts are recorded as revenue and considered due to the Organization when the related service has been provided in compliance with the specific contracts and agreements. Amounts for services provided before payment for those services totaled $323,760 at September 30, 2023, and reported as accounts receivable.

Revenues from thrift store sales are recognized at the time of the sale.

Certain donated services, goods, and facilities that meet the criteria for recognition, are reflected in the financial statements at their estimated fair market value at the time of the donation. Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were donated services of $42,563 for the year ended September 30, 2023, that met the criteria for recognition.

Donated assets are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use that must be used to acquire property and equipment are reported as restricted contributions.

Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without restrictions at that time. The Organization did not receive any donated assets during the year ended September 30, 2023.

A significant number of unpaid volunteers have made contributions of their time to the Organization's programs; however, these services do not fully meet the recognition criteria for inclusion in these financial statements.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition (continued)

The following table provides information about changes in the accounts receivables related accounts receivable for the year ended September 30, 2023:

Accounts receivable, beginning of the year	375,939
Cash received during the year applied to accounts receivable at the beginning of the year	(339,415)
Bad debt expense for accounts receivable during the current year	(36,524)
Change in allowance for doubtful accounts	22,856
Increase in accounts receivable due to services provided during the year	300,904
Accounts receivable, end of the year	$ 323,760

The following table provides information about changes in the liabilities related to deferred revenue for the year ended September 30, 2023:

Deferred revenue, beginning of the year	$ -
Increase in deferred revenue due to cash received during the year	9,327
Deferred revenue, end of the year	$ 9,327

Leases

The Organization determines if an arrangement is or contains a lease at inception. The Organization does not report right-of-use assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

NOTE 2 – Summary of Significant Accounting Policies (continued)

Methods Used for Allocation of Expenses From Management and General Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, and employee taxes and benefits, printing and marketing, which are allocated on the basis of estimates of time and effort. Expenses such as facilities, rent and interest are allocated based on square footage. Office expense and insurance are allocated based on full time equivalent.

Subsequent Events

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

NOTE 3 - Income Taxes

CFC is a not-for-profit corporation that qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and comparable state law.

As of September 30, 2023, CFC had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. CFC will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax if incurred.

CFC's informational tax returns are subject to review and examination by federal and state authorities. The tax returns for the years ended September 30, 2021 to 2023 are open to examination by federal authorities and for the years ended September 30, 2020 to 2023 by state authorities.

NOTE 4 – Accounts Receivable

Accounts receivable consists of the following:

DCS/DES contracts	$	124,233
Therapeutic foster care contracts		65,392
Counseling services		167,225
Other		3,434
		360,284
Less allowance for doubtful accounts		(36,524)
	$	323,760

Accounts receivable more than ninety days old were $46,107 as of September 30, 2023.

NOTE 5 – Investments

The applicable assets and liabilities accounted for on a recurring basis under the fair value hierarchy as of September 30, 2023, as follows:

	Level 1	Level 2	Level 3	Total
Assets				
Equities				
U.S. treasuries	$ 2,383,912	$ -	$ -	$ 2,383,912
Large blend	251,602	-	-	251,602
Bonds				
Intermediate core bond	3,128	-	-	3,128
Long-term bond	10,139	-	-	10,139
Mineral rights		-	11,719	11,719
	2,648,781	-	11,719	2,660,500
Investments restricted for deferred compensation plan	-	-	128,192	128,192
Investments restricted for charitable trust				
Fixed income	297,079	-	-	297,079
Equity securities	1,240,766	-	-	1,240,766
	1,537,845	-	-	1,537,845
Total Assets	$ 4,186,626	$ -	$ 139,911	$ 4,326,537
Liabilities				
Deferred compensation plan	$ -	$ -	$ 128,192	$ 128,192
Total Liabilities	$ -	$ -	$ 128,192	$ 128,192

Fair value for the investment restricted for the deferred compensation plan and the deferred compensation plan liability have been measured using the income approach based on calculating the present value of the estimated future distributions. This approach takes into account the determination of an appropriate risk-adjusted discount rate (3% at September 30, 2023), the life expectancy of the annuitant as calculated using the Social Security Administration's life expectancy calculator, the required distributions under the terms of the agreement and annuity purchased to fund the agreement. The Organization measures the fair value of the asset and liability annually and adjusts the measurement inputs based on relevant data.

Changes in the investment restricted for deferred compensation plan and investment in mineral rights were as follows:

NOTE 5 – Investments (continued)

	Deferred Compensation Plan	Mineral Rights
Balance beginning of year	$ 134,201	$ 18,845
Income	-	4,279
Distributions	(24,031)	(4,103)
Change in fair value	18,022	(554)
Balance end of year	$ 128,192	$ 18,467

NOTE 6 – Investment Restricted for Deferred Compensation Plan and Deferred Compensation Liability

CFC became the beneficiary of a nonqualified deferred compensation plan and a related Rabbi Trust (the "Trust") for the former executive director of CFC when the related entity dissolved in 2020. The arrangement is in exchange for past services performed by the individual on behalf of CFC. To provide a source of funds to assist in meeting the liabilities under the arrangement, the Trust purchased a single premium immediate annuity with terms guaranteeing monthly payments of $2,003 for 10 years certain and life thereafter for the individual.

NOTE 7 – Investments Restricted for Charitable Trust

CFC is the recipient of a charitable trust. The trust agreement states that distributions from the trust must be held as an endowment fund to support future operational activity. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of Arizona's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires 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, CFC classifies as net assets with donor restrictions (a) the original value of gifts on the date received by CFC, (b) the original value of subsequent gifts on the date received by CFC and (c) accumulations to the endowment with donor restrictions made under the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Under UPMIFA, CFC considers the following factors in deciding 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 CFC and, (7) CFC's investment policies.

The spending policy is defined by the charitable trust agreement, which allows the greater of (1) the entire net income generated by the fund or (2) the "minimum investment return" to be distributed each calendar year to CFC for operational activities. The term "minimum investment return" refers to a calculation under Section 4942 of the Internal Revenue Code, which is essentially 5% of the assets of the charitable trust.

CFC has adopted investment policies, approved by the Board of Directors, to provide a predictable stream of funding for operations while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return,

NOTE 7 – Investments Restricted for Charitable Trust (continued)

including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a diversified asset mix, which includes equity and debt securities, and is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5% while growing the funds, if possible. Investment risk is measured in terms of the total endowment fund and the investment strategy is to not expose the fund to unacceptable levels of risk.

Fair values of investments and investments restricted for charitable trust are determined by the market approach, using quoted market prices for similar investments, yield curves, and other relevant information.

Changes in endowment net assets as of September 30, 2023, are as follows:

Balance beginning of year	$1,510,791
Interest	57,285
Realized/unrealized gains, less investment fees	113,231
Distributions	(85,767)
Balance end of year	$1,595,540

The endowment is comprised of the following:

Cash and cash equivalents	$ 57,695
Investments	1,537,845
	$1,595,540

NOTE 8 – Property and Equipment

Property and equipment consist of the following as of September 30, 2023:

Land	$2,637,800
Buildings and improvements	3,150,617
Leasehold improvements	610,627
Furniture and equipment	837,601
Vehicles	70,459
	7,307,104
Less accumulated depreciation	(1,059,205)
	$6,247,899

Depreciation expense for the year ended September 30, 2023 was $213,716.

NOTE 9 – Note Payable

Bank loan, 2.99% with principal payments of $10,519 which matures March 2032, secured by real property Management has elected to pay an additional $13,000 per month towards principal.	$3,119,034

Maturities on the note payable at September 30, 2023, which reflect the additional $13,000 paid towards principal, are as follows:

Year Ending September 30,	
2024	$ 264,848
2025	273,246
2026	281,646
2027	290,304
2028	299,066
Thereafter	1,709,924
	$3,119,034

The loan agreement requires the furnishing of financial statements upon the lender's request.

NOTE 10 – Line of Credit

The Organization has a $300,000 line of credit that matures in March 2025, with interest at the variable rate of Prime Rate plus .75%. The line of credit is secured by real property. There were no borrowings or repayments on the line of credit during the year ended September 30, 2023.

NOTE 11 – Service Fee Revenue

For the year ended September 30, 2023, service fee revenue consisted of the following:

DCS/DES	$ 1,259,625
Therapeutic foster care services	744,579
Other	1,238,226
	$ 3,242,430

NOTE 12 – Agency Fund

In 1992, the Organization received funds from the former clients of two adoption agencies, which are no longer in existence. The funds are to be used for the storage of adoption files for ninety-nine years. The balance in the agency fund liability account is $6,851 as of September 30, 2023.

NOTE 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted by the donor for specific purposes and the activity for the year ended September 30, 2023, is as follows:

	Beginning Balance	Additions	Releases	Ending Balance
Foster Care	$ 7,990	$ 41,485	$ 35,347	$ 14,128
Pregnancy/Adoption/SYP	2,060	37,190	36,526	2,724
Family Care KIDS	384,282	246,444	348,293	282,433
Other	17,659	280,558	218,769	79,448
Building	2,875	-	2,875	-
Charitable trust	1,510,791	170,516	85,767	1,595,540
	$1,925,657	$ 776,193	$ 727,577	$1,974,273

NOTE 14 –Leases

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use 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. The right-of-use asset and lease liability, which arise from financing and operating leases, were calculated based on the present value of the future minimum lease payments over the lease term. Because the Organization does not have access to the rates implicit in the leases, the Organization elected to use the incremental borrowing rate from a mortgage to discount future lease payments. The incremental borrowing rate associated with the leases as of September 30, 2023, was 2.99%.

Office Equipment

The Organization leases three copiers under an operating agreement which expires in August 2024 and requires monthly payments of $2,572. The Organization leases another copier under a finance agreement that will expire in July 2025 and requires monthly payments of $56.

Real Property

Family Care KIDS Space –

The Organization leases space under an operating agreement that requires monthly payments of $3,000 beginning September 2022 that increases annually to $5,000 and expires in August 2026 with the option to extend.

Phoenix Thrift Store –

The Organization leases property for the Phoenix thrift store location under an operating agreement that require initial monthly payments of $2,861 increasing annually to $3,381 and expiring in February 2025. Additional space was leased at $550 per month, increasing to $650 per month and can be terminated annually.

NOTE 14 –Leases (continued)

Tucson Thrift Store –

The Organization leases property for the Tucson thrift store location under an operating lease that initially required monthly payments of $2,667 increasing to $4,267 expiring in January 2025. This lease has options to extend for four three-year terms.

Tucson Office Space –

The Organization leases office space in Tucson, Arizona under an operating lease which expires March 2024 with no current option to renew. The lease requires payments of $3,279 escalating to $3,479.

Prescott Office Space –

The Organization leases office space in Prescott, Arizona, under an operating lease. The lease is month to month and requires monthly payments of $600.

As of September 30, 2023, the weighted average of remaining lease terms for the Organization's operating leases was 2.06 years.

Future maturities of the operating lease liability are as follows:

Years Ending December 31,	
2024	$ 189,426
2025	97,838
2026	55,000
2027	-
2028	-
Thereafter	-
Total lease payments	342,264
Less: present value discount	(10,528)
Total lease obligation	$ 331,736

NOTE 15 – Credit Cards

The Organization has provided credit cards to certain employees to be used for Organization-related business expenses. As of September 30, 2023, credit cards issued to employees have an available credit limit of $200,000.

NOTE 16 – Concentrations

Contributors to the Organization reside primarily in the State of Arizona. Concentrations of risk for the contributions are limited due to a large number of contributors comprising the Organization's contributor base and their reliance on many different revenue sources for their discretionary income.

NOTE 16 – Concentrations (continued)

The Organization is eligible to receive contributions that may qualify as the Arizona Foster Care Tax Credit to individuals and residents who file taxes in Arizona. Any legislative changes enacted to Arizona Revised Statues related to tax credits could significantly impact revenues.

NOTE 17 – Pension Plan

The Organization established a retirement plan under Section 403(b) of the Internal Revenue Code covering employees eligible to participate in the plan. A predetermined contribution is made to the account of each eligible employee based on annual compensation levels. The Board of Directors establishes contributions annually and can be up to 15% of eligible compensation, as set by Federal regulations. The contribution match rate for eligible employee's compensation is 3%. The total pension expense was $69,615 for the year ended September 30, 2023.

NOTE 18 – Liquidity and Funds Available

The Organization has procedures to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization has a $300,000 line of credit, which could be drawn upon in the event of a liquidity need. The Organization also has established an operating reserve policy to provide an internal source of funds for situations such as a sudden increase in expenses, one-time unbudgeted expenses, unanticipated loss in funding, or uninsured loss. The target minimum operating reserve is equal to three to six months of average recurring operating costs.

The following table reflects the Organization's financial assets at September 30, 2023, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, are assets held for others or received from donors for specific purposes.

Financial assets:	
Cash and cash equivalents	$3,735,322
Investments	4,326,537
Accounts receivable	323,760
	8,385,619
Less those unavailable for general expenditure within one year, due to:	
Donor restrictions	(2,137,905)
Deferred compensation plan	(128,192)
	(2,266,097)
Financial assets available to meet cash needs for general expenditures within one year	$6,119,522

NOTE 19 - Contribution Of Nonfinancial Assets

Gifts-In-Kind

The Organization received gifts-in-kind for the year ended September 30, 2023:

Professional services	$ 42,563

The professional services were valued and reported at the estimated fair value in the financial statements based on current rates for similar services.

During the fiscal year ended September 30, 2023, all gifts-in-kind were utilized to carry out the mission of the Organization.

All gifts-in-kind received by the Organization for the year ended September 30, 2023 were considered without donor restrictions and able to be used by the Organization as determined by management.