

---

**CHILD & FAMILY RESOURCES, INC.  
AND SUBSIDIARY**

**INDEPENDENT AUDITOR'S REPORT  
AND CONSOLIDATED FINANCIAL STATEMENTS  
(WITH SUPPLEMENTARY INFORMATION)**

**YEARS ENDED JUNE 30, 2018 AND 2017**



# CHILD & FAMILY RESOURCES AND SUBSIDIARY

## TABLE OF CONTENTS

	<i>Page</i>
Independent Auditor's Report.....	1
Audited Financial Statements	
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	5
Consolidated Statement of Functional Expenses 2018 .....	7
Consolidated Statement of Functional Expenses 2017 .....	8
Consolidated Statements of Cash Flows .....	9
Notes to Consolidated Financial Statements .....	11
Supplementary Information:	
Consolidating Schedules of Financial Position 2018 .....	24
Consolidating Schedules of Financial Position 2017 .....	25
Consolidating Schedules of Activities 2018 .....	28
Consolidating Schedules of Activities 2017 .....	29

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Child & Family Resources and Subsidiary  
Tucson, Arizona

We have audited the accompanying consolidated financial statements of Child & Family Resources and Subsidiary (nonprofit organizations), which comprise the consolidated statements of financial position as of June 30, 2018 and 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*(continued)*

## **Opinion**

In our opinion, the 2018 and 2017 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Child & Family Resources, Inc. and Subsidiary as of June 30, 2018 and 2017, 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.

## **Other Matters**

### *Report on Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information starting on page 24 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018, on our consideration of Child & Family Resources, Inc. and Subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child & Family Resources, Inc. and Subsidiary's internal control over financial reporting and compliance.

*Regina Cant + Monroe, L.L.P.*

December 10, 2018  
Tucson, Arizona

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

**ASSETS**

	2018	2017
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,049,582	\$ 369,543
Grants and accounts receivable, net	2,297,947	2,824,809
Claim receivable	62,262	-
Investments	721,489	661,690
Prepaid expenses	74,026	111,170
Current portion of note receivable	3,467	-
Total current assets	4,208,773	3,967,212
<b>PROPERTY AND EQUIPMENT, NET</b>	2,303,116	2,715,691
<b>OTHER ASSETS</b>		
Non-current portion of note receivable	46,533	-
Deposits	51,348	54,473
Total other assets	97,881	54,473
Total assets	\$ 6,609,770	\$ 6,737,376

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2018 and 2017

**LIABILITIES AND NET ASSETS**

	2018	2017
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 602,584	\$ 837,301
Accrued expenses and other liabilities	562,257	502,170
Lines of credit	350,000	-
Current portion of deferred grant obligation	-	24,144
Current portion of long-term debt	63,710	59,644
Total current liabilities	1,578,551	1,423,259
<b>LONG-TERM LIABILITIES</b>		
Long-term portion of deferred grant obligation	-	120,721
Long-term debt	324,264	389,072
Total long-term liabilities	324,264	509,793
Total liabilities	1,902,815	1,933,052
<b>NET ASSETS</b>		
Unrestricted		
General operating	2,747,583	2,519,411
Investment in capital assets	1,915,142	2,266,975
Total unrestricted net assets	4,662,725	4,786,386
Temporarily restricted	44,230	17,938
Total net assets	4,706,955	4,804,324
Total liabilities and net assets	\$ 6,609,770	\$ 6,737,376

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES</b>			
Federal and government grants	\$ 17,979,369	\$ -	\$ 17,979,369
Parent fees	530,798	-	530,798
Contributions	409,525	81,215	490,740
Other program revenue	71,152	-	71,152
Other revenue	151,409	-	151,409
In-kind contributions	40,050	-	40,050
United Way	28,000	-	28,000
Investment gain, net	35,174	-	35,174
Loss on sale of building	(90,627)	-	(90,627)
Insurance claim settlement	62,262	-	62,262
Net assets released from restrictions	54,923	(54,923)	-
	<u>19,272,035</u>	<u>26,292</u>	<u>19,298,327</u>
<b>EXPENSES</b>			
Program services	16,914,243	-	16,914,243
General and administrative	2,310,257	-	2,310,257
Fundraising	171,196	-	171,196
	<u>19,395,696</u>	<u>-</u>	<u>19,395,696</u>
<b>CHANGE IN NET ASSETS</b>	(123,661)	26,292	(97,369)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,786,386</u>	<u>17,938</u>	<u>4,804,324</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,662,725</u>	<u>\$ 44,230</u>	<u>\$ 4,706,955</u>

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
<b>REVENUES</b>			
Federal and government grants	\$ 20,789,034	\$ -	\$ 20,789,034
Parent fees	630,567	-	630,567
Other grants	24,208	-	24,208
Contributions	336,581	86,300	422,881
Other program revenue	28,328	-	28,328
Other revenue	54,283	-	54,283
In-kind contributions	244,192	-	244,192
United Way	11,626	-	11,626
Investment gain, net	69,464	-	69,464
Net assets released from restrictions	178,089	(178,089)	-
	<u>22,366,372</u>	<u>(91,789)</u>	<u>22,274,583</u>
Total revenues			
<b>EXPENSES</b>			
Program services	19,723,656	-	19,723,656
General and administrative	2,324,947	-	2,324,947
Fundraising	307,302	-	307,302
	<u>22,355,905</u>	<u>-</u>	<u>22,355,905</u>
Total expenses			
<b>CHANGE IN NET ASSETS</b>	10,467	(91,789)	(81,322)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>4,775,919</u>	<u>109,727</u>	<u>4,885,646</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 4,786,386</u>	<u>\$ 17,938</u>	<u>\$ 4,804,324</u>

*The Notes to Consolidated Financial Statements are an integral part of these statements.*



**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2018

	Program Services				Total	General and Administrative		Fundraising	Total
	Family and Community Services	Early Childcare and Education Services	Program Services	Total Program Services		Administrative	Fundraising		
Personnel expense	\$ 5,481,591	\$ 2,172,159	\$ 7,653,750	\$ 919,633	\$ 8,635,941	\$ 62,558	\$ 8,635,941	\$ 8,635,941	
Payments to subrecipients and providers	283,938	3,813,327	4,097,265	-	4,097,265	-	4,097,265	4,097,265	
Professional and outside services	703,526	139,346	842,872	417,996	1,315,822	54,954	1,315,822	1,315,822	
Employee-related expenses	1,032,809	408,602	1,441,411	140,015	1,588,761	7,335	1,588,761	1,588,761	
Materials and supplies	322,880	986,962	1,309,842	117,979	1,442,029	14,208	1,442,029	1,442,029	
Other operating expenses	151,084	140,974	292,058	613,255	909,468	4,155	909,468	909,468	
Occupancy costs	498,299	205,775	704,074	19,279	745,851	22,498	745,851	745,851	
Travel and related	360,578	94,192	454,770	34,655	490,038	613	490,038	490,038	
Equipment	71,976	37,901	109,877	47,445	162,197	4,875	162,197	162,197	
Assistance to individuals	8,324	-	8,324	-	8,324	-	8,324	8,324	
<b>Totals</b>	<b>\$ 8,915,005</b>	<b>\$ 7,999,238</b>	<b>\$ 16,914,243</b>	<b>\$ 2,310,257</b>	<b>\$ 19,395,696</b>	<b>\$ 171,196</b>	<b>\$ 19,395,696</b>	<b>\$ 19,395,696</b>	

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

# CHILD & FAMILY RESOURCES AND SUBSIDIARY CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Program Services				Total	General and Administrative		Fundraising	Total
	Family and Community Services	Early Childcare and Education Services	Program Services	Total Program Services		Administrative	Fundraising		
Personnel expense	\$ 6,149,491	\$ 2,801,346	\$ 8,950,837	\$ 8,950,837	\$ 867,677	\$ 195,336	\$ 10,013,850		
Payments to subrecipients and providers	148,477	4,205,026	4,353,503	4,353,503	-	-	4,353,503		
Professional and outside services	1,076,675	564,106	1,640,781	1,640,781	377,800	4,484	2,023,065		
Employee-related expenses	1,085,011	472,844	1,557,855	1,557,855	107,449	30,572	1,695,876		
Materials and supplies	433,953	1,001,957	1,435,910	1,435,910	110,714	31,359	1,577,983		
Other operating expenses	369,627	234,074	603,701	603,701	592,082	7,260	1,203,043		
Occupancy costs	267,690	190,988	458,678	458,678	203,777	36,600	699,055		
Travel and related	437,466	121,729	559,195	559,195	34,981	1,458	595,634		
Equipment	129,741	26,284	156,025	156,025	30,693	233	186,951		
Assistance to individuals	7,171	-	7,171	7,171	(226)	-	6,945		
<b>Totals</b>	<b>\$ 10,105,302</b>	<b>\$ 9,618,354</b>	<b>\$ 19,723,656</b>	<b>\$ 19,723,656</b>	<b>\$ 2,324,947</b>	<b>\$ 307,302</b>	<b>\$ 22,355,905</b>		

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (97,369)	\$ (81,322)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	118,311	148,299
Net realized and unrealized (gains) on investments	(46,510)	(62,573)
Loss on sale of building	90,627	-
Changes in operating assets and liabilities		
Grants and accounts receivable	526,862	335,660
Claims receivable	(62,262)	-
Note receivable from sale of building	(50,000)	-
Prepaid expenses	37,144	(30,030)
Deposits	3,125	(695)
Accounts payable	(234,717)	(222,194)
Accrued expenses and other liabilities	60,087	(131,108)
Net cash provided (used) by operating activities	345,298	(43,963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(92,752)	(43,018)
Proceeds from the sale of building	296,389	-
Purchases of investments	(69,412)	(63,680)
Proceeds from sales maturities of investments	56,123	61,482
Net cash provided (used) by investing activities	190,348	(45,216)

*(continued)*

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

For the Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment on lines of credit	(528,000)	(844,598)
Advances on line of credit	878,000	500,000
Principal payments on capital leases	-	(305)
Payment of deferred grant obligation	(144,865)	(24,144)
Principal payments on notes payables	<u>(60,742)</u>	<u>(50,689)</u>
Net cash provided (used) by financing activities	<u>144,393</u>	<u>(419,736)</u>
Net increase (decrease) in cash and cash equivalents	680,039	(508,915)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>369,543</u>	<u>878,458</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,049,582</u>	<u>\$ 369,543</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 42,619</u>	<u>\$ 35,575</u>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS</b>		
Purchase of assets with new debt	<u>\$ -</u>	<u>\$ 95,052</u>

*The Notes to Consolidated Financial Statements are an integral part of these statements.*

# CHILD & FAMILY RESOURCES AND SUBSIDIARY NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2018 and 2017

## 1. ORGANIZATION

### *Nature of Operations*

Child & Family Resources (“CFR”) is a nationally accredited, community-based, non-profit organization with the mission to build strong communities where children can reach their full potential. CFR was founded in 1970 and has continued to meet the ever-changing needs of families through more than 20 different education and support programs in nine Arizona counties including Pinal, Pima, Maricopa, Yuma, Santa Cruz, Cochise, Graham/Greenlee and Mohave. As a nationally accredited organization we adhere to a high standard of outcome measurement that includes pre/post testing, measurable outcomes that demonstrate improved academic skills; improved parenting knowledge, attitudes, beliefs and skills; improvements in overall family functioning; increases in age appropriate developmental levels; reduction in risk factors including child abuse and neglect; and positive client satisfaction surveys.

In March 2006, Child & Family Resources, Inc. entered into an affiliation agreement with Tucson Nursery Schools and Child Care Centers, Inc. (“TNS”), which provides low cost child care for low-income working families, in order to further Child & Family Resources, Inc.’s mission. TNS is a nonprofit corporation organized to operate exclusively for education, scientific, literary and charitable purposes. The agreement required each organization to complete certain administrative and legal steps in order to complete the formal affiliation. Under the affiliation agreement, CFR has the authority to elect the directors of the Board of TNS. In July 2006, Child & Family Resources, Inc. completed all steps of the agreement and became the sole member of TNS.

As of January 1, 2017, CFR assumed operational responsibility of TNS, with TNS employees becoming CFR employees. The land, building, and deferred grant obligation remain in TNS’s legal entity. During the year ended June 30, 2018, CFR closed down the child care center, and the building was sold. CFR has kept TNS open as a non-profit organization for potential use in the future.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### *Principles of Consolidation*

The consolidated financial statements include the accounts of Child & Family Resources, Inc. and its commonly controlled subsidiary, Tucson Nursery Schools and Child Care Centers, Inc. (collectively referred to as the “Organization”). All intercompany accounts and transactions have been eliminated in consolidation.

*(continued)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Basis of Accounting*

The Organization follows accounting standards set by the Financial Accounting Standards Board (“FASB”). The FASB sets the United States’ generally accepted accounting principles (“GAAP”), which are followed by the Organization in order to ensure the consistent reporting of its financial position, changes in net assets, and cash flows. The consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

### *Consolidated Financial Statement Presentation*

The Organization reports information regarding its consolidated financial position and activities according to the presence or absence of donor-imposed restrictions, which are segregated into the following categories:

Unrestricted net assets – Net assets which are not subject to donor-imposed stipulations. A portion of the unrestricted net assets have been designated by the board of directors as expended for property and equipment to reflect the total carrying value after accumulated depreciation of all property and equipment, net of directly related liabilities. During the year ended June 30, 2016, the board of directors designated \$60,000 to help fund the Youth Empowerment for Success program. These funds were released to cover costs related to that program during the year ended June 30, 2017. Remaining unrestricted net assets are available for general operations of the Organization.

Temporarily restricted net assets – Net assets which are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Temporarily restricted net assets were \$44,230 and \$17,938 at June 30, 2018 and 2017, respectively.

Permanently restricted net assets – Net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. No permanently restricted net assets existed at June 30, 2018 and 2017.

### *Donated Services, Materials and Facilities*

Donated materials and facilities are valued at their fair market value. Donated services are recognized in the consolidated financial statements at their fair market value if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated.

(continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

### *Use of Estimates*

The preparation of consolidated 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, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of support, revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

### *Functional Allocation of Expenses*

The costs of providing the various programs have been summarized on a functional basis in the consolidated statement of activities. Expenses that can be identified with a specific program are allocated directly according to their natural classification. Other expenses that are common to several functions are allocated by other reasonable methods.

### *Advertising*

The Organization uses advertising to promote its programs. Advertising costs are expensed as incurred. The total amounts of advertising expensed were \$50,859 and \$76,301 for the years ended June 30, 2018 and 2017, respectively.

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, available funds on deposit at financial institutions, and highly liquid investments with a maturity of three months or less when purchased.

### *Grants and Accounts Receivable*

The Organization grants unsecured credit under contracts primarily with governmental agencies in Arizona. The Organization considers accounts over 30 days past due to be delinquent. At June 30, 2018 and 2017, the balance of grants and accounts receivable included \$547,412 and \$431,891, respectively, of amounts over 30 days past due. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At both June 30, 2018 and 2017, the allowance for doubtful accounts was \$10,000.

(continued)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### *Investments*

In accordance with accounting principles generally accepted in the United States of America applicable to nonprofit organizations, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statement of financial position. Unrealized gains and losses are included with the change in net assets.

### *Property and Equipment*

Purchased property and equipment is recorded at cost. Donations of property and equipment are recorded as support at estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The cost of repairs and maintenance is charged to expense in the year incurred. Expenditures that increase the useful lives of the assets are capitalized and depreciated. The Organization's policy is to capitalize expenditures for property and equipment that exceed \$5,000. Property and equipment is depreciated using the straight-line method over the following estimated useful lives of the assets:

Buildings and improvements	10 to 40 years
Furniture and equipment	3 to 15 years
Leasehold Improvements	10 years
Vehicles	5 years

Total depreciation and amortization expense was \$118,311 and \$148,299 for the years ended June 30, 2018 and 2017, respectively.

### *Income Taxes*

CFR and TNS are nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from Arizona income tax under Arizona Revised Statute Section 43-1201(4). CFR and TNS are also public charities under the Internal Revenue Code Section 509(a)(1). This classification allows for donations to both organizations to be deductible as charitable contributions on income tax returns. There were no income taxes paid during the years ended June 30, 2018 and 2017.

(continued)



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Both CFR and TNS have a policy to disclose or recognize income tax positions based on management's estimate of whether it is reasonably possible or probable, respectively, that a liability has been incurred for unrecognized income tax positions. As of June 30, 2018, management is not aware of any uncertain tax positions that are potentially material. In addition, management is not aware of any matters which would cause CFR or TNS to lose their tax-exempt status. Income tax related interest and penalties, if any, are reported in general and administrative expenses when incurred. The accompanying consolidated financial statements do not include any interest or penalties related to income taxes. No income tax examinations are currently underway or anticipated. The statute of limitations is three years for federal income tax purposes and four years for the State of Arizona. All prior year returns have been timely filed.

CFR and TNS are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service. In addition, they both are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. CFR and TNS have determined that they are not subject to unrelated business income tax for the years ended June 30, 2018 and 2017.

### *Recent Accounting Pronouncements*

- Revenue Recognition

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of 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 and services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending June 30, 2020. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects on the new standard on the consolidated financial statements, if any.

*(continued)*

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Leases

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, Leases (Topic 842), which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either financing or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital lease obligations recognized on the consolidated balance sheet. Lessor accounting under the new standard will remain similar to lessor accounting under current GAAP. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Organization's year ending June 30, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the consolidated financial statements has not yet been determined.

- Non-Profit Organizations

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958), which will change how not-for-profit organizations will report and present certain items in their financial statements. The new guidance will take effect for the year ending June 30, 2019. The significant changes are:

- Simplification of net asset presentation – net assets will now be presented in two classes, “Net assets with donor restrictions,” and “Net assets without donor restrictions.”
- All not-for-profit organizations will be required to present expenses in their natural classification (advertising, payroll, rent, etc.) and by function (program, general and administrative, and fund raising).
- Enhanced disclosure requirements related to presenting liquidity information, and simplification of existing disclosure requirements related to investment returns and long lived assets purchased with donor-restricted funds.

The Organization has not yet determined the effect of applying the new standard on the consolidated financial statements.

*(continued)*

### 3. CONCENTRATION OF RISK

The Federal Deposit Insurance Corporation (FDIC) insures cash accounts at banks up to \$250,000 per institution. At June 30, 2018 and 2017 approximately \$823,500 and \$446,700, respectively, of cash on deposit at banks was not covered by the FDIC. Investments held by other institutions are covered up to \$500,000 under insurance provided by the Securities Investor Protection Corporation (SIPC). However, SIPC does not protect against losses in market value. The Organization's investments are on deposit at a brokerage institution that provides additional insurance above SIPC limits. At June 30, 2018 and 2017, the Organization had \$221,489 and \$161,690 of investments in excess of SIPC limitations.

### 4. GRANTS AND ACCOUNTS RECEIVABLE

Grants and accounts receivable consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Arizona Department of Economic Security and Arizona Department of Child Safety	\$ 639,008	\$ 1,010,172
Arizona First Things First	543,825	657,587
Arizona Department of Education	638,216	556,462
Other governmental agencies	486,898	550,271
Other receivables	<u>-</u>	<u>60,317</u>
Total grants and accounts receivable	2,307,947	2,834,809
Less: allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
Total grants and accounts receivable, net	<u>\$ 2,297,947</u>	<u>\$ 2,824,809</u>

### 5. INVESTMENTS

Investments are stated at fair value and consist of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Mutual Funds:		
Large value	\$ 138,859	\$ 124,580
Large blend	64,701	57,176
Large growth	145,669	132,707
Small growth	48,222	37,973
Small value	48,547	39,346
Diversified emerging markets	61,227	58,347
Government securities	128,633	123,414
Corporate bonds	<u>85,631</u>	<u>88,147</u>
Total investments	<u>\$ 721,489</u>	<u>\$ 661,690</u>

(continued)

## 5. INVESTMENTS (continued)

Investment income consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 14,040	\$ 12,595
Realized and unrealized gain, net	27,439	62,573
Investment fees	<u>(6,305)</u>	<u>(5,704)</u>
Total investment gain, net	<u>\$ 35,174</u>	<u>\$ 69,464</u>

## 6. FAIR VALUE MEASUREMENTS

U.S. generally accepted accounting principles establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consists of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair values using Level 1 input because they generally provide the most reliable evidence of fair value.

Level 1 Fair Value Measurements are based on quoted prices (unadjusted) in active markets for identical assets that the reporting entity has the ability to access at the measurement date. An active market for the assets is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements are based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.

Level 3 Fair Value Measurements are based on unobservable inputs for the asset. Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the assets at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset. Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset (including assumption about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

*(continued)*

## 6. FAIR VALUE MEASUREMENTS (continued)

*Stocks, Bonds, Mutual Funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

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 fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair values of Level 1 investment assets measured on a recurring basis at June 30, are:

	<u>2018</u>	<u>2017</u>
Mutual Funds:		
Large value	\$ 138,859	\$ 124,580
Large blend	64,701	57,176
Large growth	145,669	132,707
Small growth	48,222	37,973
Small value	48,547	39,346
Diversified emerging markets	61,227	58,347
Government securities	128,633	123,414
Corporate bonds	<u>85,631</u>	<u>88,147</u>
Total investments	<u>\$ 721,489</u>	<u>\$ 661,690</u>

## 7. NOTE RECEIVABLE - TNS

TNS financed a portion of the sale price on the disposition of a building in May, 2018. The note receivable is for \$50,000, and includes interest at 7%. The note calls for monthly installments of \$581 or more. The note is secured by a mortgage on the building.

Future minimum amounts receivable are as follows for the years ending June 30:

2019	\$ 3,467
2020	3,812
2021	4,097
2022	4,394
2023	4,713
Thereafter	<u>29,517</u>
Total	<u>\$ 50,000</u>

(continued)

## 7. PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation at June 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 436,433	\$ 457,499
Buildings and improvements	3,036,970	3,672,174
Furniture and equipment	1,752,468	1,893,256
Leasehold improvements	194,801	194,801
CIP	26,711	-
Vehicles	<u>25,617</u>	<u>25,617</u>
Total	5,473,000	6,243,347
Less accumulated depreciation	<u>(3,169,884)</u>	<u>(3,527,656)</u>
Net property and equipment	<u>\$ 2,303,116</u>	<u>\$ 2,715,691</u>

## 8. LINES OF CREDIT

CFR has a revolving line of credit with Wells Fargo Bank, which matures January 20, 2020. Variable interest is payable monthly at the prime rate of interest minus 0.250% (4.75% at June 30, 2018). If CFR defaults on any terms of the line of credit, the interest rate increases to the prime rate plus 4%. The line of credit is primarily collateralized by a deed of trust. The outstanding balance at June 30, 2018 was \$350,000 and zero at June 30, 2017. Under the terms of this agreement, CFR is required to maintain a debt coverage ratio of at least 1.25:1. At June 30, 2018 and 2017, CFR was in compliance with the debt coverage ratio.

CFR has a portfolio loan account with Morgan Stanley Bank, N.A., which is collateralized by investments held by Morgan Stanley. Interest is payable monthly at 3.65%. There were no outstanding balances at June 30, 2018 and 2017.

*(continued)*

## 9. NOTES PAYABLE

The notes payable consists of the following at June 30:

	<u>2018</u>	<u>2017</u>
CFR note payable, due in monthly installments of \$3,907 through April 2029, including interest at 4.75%, collateralized by a deed of trust on real property.	\$ 346,929	\$ 376,331
CFR note payable, due in monthly installments of \$2,813 through September 2019, including interest at 4.15%, collateralized by equipment.	<u>41,045</u>	<u>72,385</u>
Total	387,974	448,716
Less current portion	<u>(63,710)</u>	<u>(59,644)</u>
Non-current portion	<u>\$ 324,264</u>	<u>\$ 389,072</u>

Principal maturities of the note payable are as follows at June 30:

2019	\$ 63,710
2020	40,896
2021	34,137
2022	35,797
2023	37,538
Thereafter	<u>175,896</u>
Total	<u>\$ 387,974</u>

## 10. DEFERRED GRANT OBLIGATION

During the year ended June 30, 2013, Angel Charity of Tucson, Inc. (“Angel Charity”) made a pledge to TNS in the amount of \$241,441. The proceeds of the pledge are to be used to discharge the existing loan secured by the deed of trust on the land and buildings owned by TNS. In accordance with the terms of the agreement, TNS executed a nonrecourse, non-interest bearing promissory note in favor of Angel Charity during the year ended June 30, 2014. The note provides that, on the condition TNS continues to utilize the facility to provide children and youth programs, Angel Charity will forgive the note at a rate of \$24,144 per year over a ten year period beginning with the year ended June 30, 2014. The balance remaining on the deferred grant obligation was repaid to Angel Charity upon the sale of the TNS building during the year ended June 30, 2018. The outstanding balance on the deferred grant obligation was \$144,865 as of June 30, 2017.

(continued)

## 11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Graham County Resource Center	\$ 4,230	\$ -
Fund development/Thrift Store project	<u>40,000</u>	<u>17,938</u>
Total temporarily restricted net assets	<u>\$ 44,230</u>	<u>\$ 17,938</u>

## 12. OPERATING LEASES

CFR has 11 facility and 11 office equipment leases for their programs and administrative offices under non-cancelable, long-term operating leases with various expirations through December 2023. Two of the leases contain a one-year renewal. All of the facility leases allow cancellation with 30 to 90 days' notice if CFR can prove loss of grant funding for programs operated out of those locations. During the years ended June 30, 2018 and 2017, total rent and usage expense under these agreements was \$658,795 and \$603,895, respectively.

Future minimum lease payments under these leases are as follows for the years ending June 30:

2019	\$ 360,395
2020	298,293
2021	243,517
2022	73,043
2023	<u>3,336</u>
Total	<u>\$ 978,584</u>

CFR has two sublease agreements to rent out a portion of its facilities. These leases are on a month-to-month basis. Total sublease income during the years ended June 30, 2018 and 2017 was \$26,820 and \$26,820, respectively, and is included in other revenue.

## 13. PENSION PLAN

The Organization maintains a defined contribution pension plan (the "Plan"). The plan allows eligible employees to contribute a portion of their wages on a pretax basis into the plan. The plan also allows for discretionary matching and/or profit sharing contributions by CFR. The Organization's contributions under the plan totaled \$77,893 and \$98,471 for the years ended June 30, 2018 and 2017, respectively.

*(continued)*



#### 14. CONTRACTS WITH GOVERNMENTAL AGENCIES

Revenue from contracts with governmental agencies consists of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Arizona Department of Economic Security and Arizona Department of Child Safety	\$ 5,619,932	\$ 7,645,311
Arizona Department of Education	4,504,264	5,025,090
Arizona First Things First	2,098,561	1,986,822
United Way First Things First	2,822,970	2,769,580
Arizona Department of Health Services	1,152,818	1,264,025
U.S. Department of Health and Human Services	1,463,160	1,773,277
Pima County	38,881	39,484
Other government contracts	<u>278,783</u>	<u>285,445</u>
Total contracts with governmental agencies	<u>\$ 17,979,369</u>	<u>\$ 20,789,034</u>

#### 15. COMMITMENTS AND CONTINGENCIES

The Organization participates in a number of federal, state and local grant programs. A significant reduction in the level of this support, if it were to occur, would have a material effect on the programs and activities of the Organization. The governmental funding is subject to compliance audits by the respective governmental agencies. Assessments from such audits, if any, are recorded when the amounts of such assessments are reasonably determinable. Some of the governmental contracts are also subject to termination for convenience clauses. The Organization has received no such termination notices.

#### 16. SUBSEQUENT EVENTS

Management evaluated subsequent events through December 10, 2018, which is the date on which the consolidated financial statements were available to be issued, and noted no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.

## **SUPPLEMENTARY INFORMATION**

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

June 30, 2018

**ASSETS**

	<u>CFR</u>	<u>TNS</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 1,048,451	\$ 1,131	\$ -	\$ 1,049,582
Grants and accounts receivable, net	2,297,947	-	-	2,297,947
Note receivable, related party	90,973	-	(90,973)	-
Claim receivable	-	62,262	-	62,262
Investments	721,489	-	-	721,489
Prepaid expenses	74,026	-	-	74,026
Current portion of note receivable	-	3,467	-	3,467
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	4,232,886	66,860	(90,973)	4,208,773
<b>PROPERTY AND EQUIPMENT, NET</b>	2,303,116	-	-	2,303,116
<b>OTHER ASSETS</b>				
Non-current portion of note receivable	-	46,533	-	46,533
Deposits	51,348	-	-	51,348
	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	51,348	46,533	-	97,881
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 6,587,350</u>	<u>\$ 113,393</u>	<u>\$ (90,973)</u>	<u>\$ 6,609,770</u>

*See Independent Auditor's Report*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

June 30, 2018

**LIABILITIES AND NET ASSETS**

	CFR	TNS	Eliminations	Consolidated Total
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 602,584	\$ -	\$ -	\$ 602,584
Accrued expenses and other liabilities	557,920	4,337		562,257
Lines of credit	350,000	-	-	350,000
Note payable, related party		90,973	(90,973)	-
Current portion of long-term debt	63,710	-	-	63,710
	<u>1,574,214</u>	<u>95,310</u>	<u>(90,973)</u>	<u>1,578,551</u>
Total current liabilities	1,574,214	95,310	(90,973)	1,578,551
<b>LONG-TERM LIABILITIES</b>				
Long-term debt	324,264	-	-	324,264
	<u>324,264</u>	<u>-</u>	<u>-</u>	<u>324,264</u>
Total liabilities	<u>1,898,478</u>	<u>95,310</u>	<u>(90,973)</u>	<u>1,902,815</u>
<b>NET ASSETS</b>				
Unrestricted				
General operating	2,729,500	18,083	-	2,747,583
Investment in capital assets	1,915,142	-	-	1,915,142
Total unrestricted net assets	<u>4,644,642</u>	<u>18,083</u>	<u>-</u>	<u>4,662,725</u>
Temporarily restricted	44,230	-	-	44,230
	<u>44,230</u>	<u>-</u>	<u>-</u>	<u>44,230</u>
Total net assets	<u>4,688,872</u>	<u>18,083</u>	<u>-</u>	<u>4,706,955</u>
Total liabilities and net assets	<u>\$ 6,587,350</u>	<u>\$ 113,393</u>	<u>\$ (90,973)</u>	<u>\$ 6,609,770</u>

*See Independent Auditor's Report*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

June 30, 2017

**ASSETS**

	CFR	TNS	Eliminations	Consolidated Total
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 368,412	\$ 1,131	\$ -	\$ 369,543
Grants and accounts receivable, net	2,824,809	-	-	2,824,809
Investments	661,690	-	-	661,690
Notes receivable, related party	179,687	-	(179,687)	-
Prepaid expenses	111,170	-	-	111,170
Total current assets	4,145,768	1,131	(179,687)	3,967,212
<b>PROPERTY AND EQUIPMENT, NET</b>	2,328,643	387,048	-	2,715,691
<b>OTHER ASSETS</b>				
Deposits	54,473	-	-	54,473
Total assets	<b>\$ 6,528,884</b>	<b>\$ 388,179</b>	<b>\$ (179,687)</b>	<b>\$ 6,737,376</b>

*See Independent Auditor's Report*

**CHILD & FAMILY RESOURCES AND SUBSIDIARY  
CONSOLIDATING SCHEDULES OF FINANCIAL POSITION**

June 30, 2017

**LIABILITIES AND NET ASSETS**

	CFR	TNS	Eliminations	Consolidated Total
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 837,301	\$ -	\$ -	\$ 837,301
Accrued expenses and other liabilities	497,833	4,337	-	502,170
Note payable, related party	-	179,687	(179,687)	-
Current portion of deferred grant obligation	-	24,144	-	24,144
Current portion of long-term debt	59,644	-	-	59,644
<b>Total current liabilities</b>	<b>1,394,778</b>	<b>208,168</b>	<b>(179,687)</b>	<b>1,423,259</b>
<b>LONG-TERM LIABILITIES</b>				
Long-term portion of deferred grant obligation	-	120,721	-	120,721
Long-term debt	389,072	-	-	389,072
<b>Total long-term liabilities</b>	<b>389,072</b>	<b>120,721</b>	<b>-</b>	<b>509,793</b>
<b>Total liabilities</b>	<b>1,783,850</b>	<b>328,889</b>	<b>(179,687)</b>	<b>1,933,052</b>
<b>NET ASSETS</b>				
Unrestricted				
General operating	2,847,169	(327,758)	-	2,519,411
Investment in capital assets	1,879,927	387,048	-	2,266,975
<b>Total unrestricted net assets</b>	<b>4,727,096</b>	<b>59,290</b>	<b>-</b>	<b>4,786,386</b>
Temporarily restricted	17,938	-	-	17,938
<b>Total net assets</b>	<b>4,745,034</b>	<b>59,290</b>	<b>-</b>	<b>4,804,324</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,528,884</b>	<b>\$ 388,179</b>	<b>\$ (179,687)</b>	<b>\$ 6,737,376</b>

*See Independent Auditor's Report*

# CHILD & FAMILY RESOURCES AND SUBSIDIARY CONSOLIDATING SCHEDULES OF ACTIVITIES

For the Year Ended June 30, 2018

	CHILD & FAMILY RESOURCES, INC.			TUCSON NURSERY SCHOOLS			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Total CFR	Unrestricted	Temporarily Restricted	Total TNS		
<b>REVENUES</b>								
Federal and government grants	\$ 17,979,369	\$ -	\$ 17,979,369	\$ -	\$ -	\$ -	\$ -	\$ 17,979,369
Parent fees	530,798	-	530,798	-	-	-	-	530,798
Contributions	409,525	81,215	490,740	-	-	-	-	490,740
Other program revenue	71,152	-	71,152	-	-	-	-	71,152
Other revenue	151,409	-	151,409	-	-	-	-	151,409
In-kind contributions	40,050	-	40,050	-	-	-	-	40,050
United Way	28,000	-	28,000	-	-	-	-	28,000
Investment gain	35,174	-	35,174	-	-	-	-	35,174
Loss on sale of building	-	-	-	(90,627)	-	(90,627)	-	(90,627)
Insurance claim settlement	-	-	-	62,262	-	62,262	-	62,262
Net assets released from restrictions	54,923	(54,923)	-	-	-	-	-	-
<b>Total revenues</b>	<b>19,300,400</b>	<b>26,292</b>	<b>19,326,692</b>	<b>(28,365)</b>	<b>-</b>	<b>(28,365)</b>	<b>-</b>	<b>19,298,327</b>
<b>EXPENSES</b>								
Program services	16,901,401	-	16,901,401	12,842	-	12,842	-	16,914,243
General and administrative	2,310,257	-	2,310,257	-	-	-	-	2,310,257
Fund-raising	171,196	-	171,196	-	-	-	-	171,196
<b>Total expenses</b>	<b>19,382,854</b>	<b>-</b>	<b>19,382,854</b>	<b>12,842</b>	<b>-</b>	<b>12,842</b>	<b>-</b>	<b>19,395,696</b>
<b>CHANGE IN NET ASSETS</b>	<b>(82,454)</b>	<b>26,292</b>	<b>(56,162)</b>	<b>(41,207)</b>	<b>-</b>	<b>(41,207)</b>	<b>-</b>	<b>(97,369)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,727,096</b>	<b>17,938</b>	<b>4,745,034</b>	<b>59,290</b>	<b>-</b>	<b>59,290</b>	<b>-</b>	<b>4,804,324</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,644,642</b>	<b>\$ 44,230</b>	<b>\$ 4,688,872</b>	<b>\$ 18,083</b>	<b>\$ -</b>	<b>\$ 18,083</b>	<b>\$ -</b>	<b>\$ 4,706,955</b>

*See Independent Auditor's Report*

# CHILD & FAMILY RESOURCES AND SUBSIDIARY CONSOLIDATING SCHEDULES OF ACTIVITIES

For the Year Ended June 30, 2017

	CHILD & FAMILY RESOURCES, INC.			TUCSON NURSERY SCHOOLS			Eliminations	Consolidated Total
	Unrestricted	Temporarily Restricted	Total CFR	Unrestricted	Temporarily Restricted	Total TNS		
<b>REVENUES</b>								
Federal and government grants	\$ 20,667,940	\$ -	\$ 20,667,940	\$ 121,094	\$ -	\$ 121,094	\$ -	\$ 20,789,034
Parent fees	537,729	-	537,729	92,838	-	92,838	-	630,567
Other grants	-	-	-	24,208	-	24,208	-	24,208
Contributions	336,481	86,300	422,781	100	-	100	-	422,881
Other program revenue	28,328	-	28,328	-	-	-	-	28,328
Other revenue	52,214	-	52,214	2,069	-	2,069	-	54,283
In-kind contributions	244,192	-	244,192	-	-	-	-	244,192
United Way	11,000	-	11,000	626	-	626	-	11,626
Investment loss	69,464	-	69,464	-	-	-	-	69,464
Net assets released from restrictions	178,089	(178,089)	-	-	-	-	-	-
<b>Total revenues</b>	<b>22,125,437</b>	<b>(91,789)</b>	<b>22,033,648</b>	<b>240,935</b>	<b>-</b>	<b>240,935</b>	<b>-</b>	<b>22,274,583</b>
<b>EXPENSES</b>								
Program services	19,405,844	-	19,405,844	317,812	-	317,812	-	19,723,656
General and administrative	2,324,947	-	2,324,947	-	-	-	-	2,324,947
Fundraising	307,302	-	307,302	-	-	-	-	307,302
<b>Total expenses</b>	<b>22,038,093</b>	<b>-</b>	<b>22,038,093</b>	<b>317,812</b>	<b>-</b>	<b>317,812</b>	<b>-</b>	<b>22,355,905</b>
<b>CHANGE IN NET ASSETS</b>	<b>87,344</b>	<b>(91,789)</b>	<b>(4,445)</b>	<b>(76,877)</b>	<b>-</b>	<b>(76,877)</b>	<b>-</b>	<b>(81,322)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>4,639,752</b>	<b>109,727</b>	<b>4,749,479</b>	<b>136,167</b>	<b>-</b>	<b>136,167</b>	<b>-</b>	<b>4,885,646</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 4,727,096</b>	<b>\$ 17,938</b>	<b>\$ 4,745,034</b>	<b>\$ 59,290</b>	<b>\$ -</b>	<b>\$ 59,290</b>	<b>\$ -</b>	<b>\$ 4,804,324</b>

See Independent Auditor's Report