

CHILD CRISIS CENTER
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007

**CHILD CRISIS CENTER
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YEARS ENDED JUNE 30, 2008 AND 2007**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Crisis Center
Mesa, Arizona

We have audited the accompanying consolidated statements of financial position of Child Crisis Center and subsidiary as of June 30, 2008 and 2007, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Crisis Center as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP

LarsonAllen LLP

Mesa, Arizona
January 13, 2009



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CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 725,180	\$ 872,648
Contracts Receivable	569,586	513,384
Current Maturities of Pledges Receivable	450,497	594,990
Prepaid Expenses	52,953	20,939
Total Current Assets	1,798,216	2,001,961
PROPERTY AND EQUIPMENT, NET	4,798,641	2,432,571
OTHER ASSETS		
Pledges Receivable, Net	444,577	904,337
Investments	1,460,558	1,685,464
Deposits	7,668	7,018
Total Other Assets	1,912,803	2,596,819
Total Assets	\$ 8,509,660	\$ 7,031,351
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 513,970	\$ 846,670
Current Portion of Note Payable	608,120	-
Current Portion of Capital Lease	7,759	-
Line of Credit	162,000	57,000
Total Current Liabilities	1,291,849	903,670
LONG-TERM LIABILITIES		
Note Payable, Less Current Portion	1,076,000	-
Capital Lease, Less Current Portion	13,187	-
Total Long-Term Liabilities	1,089,187	-
Total Liabilities	2,381,036	903,670
NET ASSETS		
Unrestricted	6,026,492	4,750,495
Temporarily Restricted	102,132	1,377,186
Total Net Assets	6,128,624	6,127,681
Total Liabilities and Net Assets	\$ 8,509,660	\$ 7,031,351

See accompanying Notes to Consolidated Financial Statements

**CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Arizona Department of Economic Security	\$ 2,051,734	\$ -	\$ 2,051,734
Arizona Department of Health Services	68,171	-	68,171
Thrift Sales	264,129	-	264,129
Other Service Fees	29,278	-	29,278
United Way	413,097	-	413,097
Tribal Shelter Contract	667,200	-	667,200
Grants	1,260,829	-	1,260,829
Gifts and Contributions	592,467	536,368	1,128,835
Special Events, Net of Direct Benefit Expenses of \$140,065	324,611	-	324,611
Gifts-in-Kind	324,573	-	324,573
Total Public Support	5,996,089	536,368	6,532,457
Revenue:			
Interest and Dividends	67,086	-	67,086
Miscellaneous	37,513	-	37,513
Gain on Sale of Assets	100	-	100
Realized Gain on Sale of Investments	117,031	-	117,031
Unrealized Loss on Investments	(267,014)	-	(267,014)
Total Revenue	(45,284)	-	(45,284)
Net Assets Released from Restrictions	1,811,422	(1,811,422)	-
Total Public Support and Revenue	7,762,227	(1,275,054)	6,487,173
EXPENSE			
Program Services:			
Shelter	2,571,924	-	2,571,924
Prevention	1,420,873	-	1,420,873
Foster Adopt	952,171	-	952,171
Thrift Store	325,026	-	325,026
Total Program Services	5,269,994	-	5,269,994
Supporting Services:			
General and Administrative	916,159	-	916,159
Fundraising	300,077	-	300,077
Total Supporting Services	1,216,236	-	1,216,236
Total Expense	6,486,230	-	6,486,230
CHANGE IN NET ASSETS	1,275,997	(1,275,054)	943
Net Assets - Beginning of Year	4,750,495	1,377,186	6,127,681
NET ASSETS - END OF YEAR	\$ 6,026,492	\$ 102,132	\$ 6,128,624

See accompanying Notes to Consolidated Financial Statements

	2007		
	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Public Support:			
Arizona Department of Economic Security	\$ 1,331,899	\$ -	\$ 1,331,899
Arizona Department of Health Services	143,653	-	143,653
Thrift Sales	271,347	-	271,347
Other Service Fees	41,365	-	41,365
United Way	374,386	-	374,386
Tribal Shelter Contract	527,912	-	527,912
Grants	1,413,030	-	1,413,030
Gifts and Contributions	2,353,323	1,282,242	3,635,565
Special Events, Net of Direct Benefit Expenses of \$148,868	437,595	-	437,595
Gifts-in-Kind	360,139	-	360,139
Total Public Support	<u>7,254,649</u>	<u>1,282,242</u>	<u>8,536,891</u>
Revenue:			
Interest and Dividends	72,944	-	72,944
Miscellaneous	26,309	-	26,309
Gain on Sale of Assets	-	-	-
Realized Gain on Sale of Investments	27,085	-	27,085
Unrealized Gain on Investments	150,533	-	150,533
Total Revenue	<u>276,871</u>	<u>-</u>	<u>276,871</u>
Net Assets Released from Restrictions	<u>832,242</u>	<u>(832,242)</u>	<u>-</u>
Total Public Support and Revenue	8,363,762	450,000	8,813,762
EXPENSE			
Program Services:			
Shelter	2,032,855	-	2,032,855
Prevention	1,228,851	-	1,228,851
Foster Adopt	365,275	-	365,275
Thrift Store	265,657	-	265,657
Total Program Services	<u>3,892,638</u>	<u>-</u>	<u>3,892,638</u>
Supporting Services:			
General and Administrative	999,662	-	999,662
Fundraising	397,680	-	397,680
Total Supporting Services	<u>1,397,342</u>	<u>-</u>	<u>1,397,342</u>
Total Expense	<u>5,289,980</u>	<u>-</u>	<u>5,289,980</u>
CHANGE IN NET ASSETS	3,073,782	450,000	3,523,782
Net Assets - Beginning	<u>1,676,713</u>	<u>927,186</u>	<u>2,603,899</u>
NET ASSETS - END OF YEAR	<u>\$ 4,750,495</u>	<u>\$ 1,377,186</u>	<u>\$ 6,127,681</u>

**CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008				
	Program Services				
	Shelter	Prevention	Foster Adopt	Thrift Store	Total
Salaries	\$ 1,620,524	\$ 780,844	\$ 504,772	\$ 177,069	\$ 3,083,209
Payroll Taxes and Employee Related Expenses	329,379	158,710	102,598	35,990	626,677
Total	1,949,903	939,554	607,370	213,059	3,709,886
Advertising	13,856	7,362	54,852	4,092	80,162
Activities	8,010	1,764	19,824	-	29,598
Allowances/Clothing	-	-	-	-	-
Cleaning and Maintenance	9,901	7,066	4,836	-	21,803
Community Education	50	1,835	2,071	-	3,956
Donor Recognition	781	403	187	-	1,371
Food	59,876	9,247	2,812	449	72,384
Special Events	-	-	-	-	-
Insurance	24,280	10,912	4,956	1,815	41,963
Interest	5,861	-	-	-	5,861
Leases	37,144	5,533	15,771	-	58,448
Professional Fees	45,281	16,202	12,851	16,114	90,448
Miscellaneous	8,917	72	1,949	64	11,002
Prevention and Care Services	52,095	94,414	25,274	-	171,783
Rent	92,238	95,179	50,665	64,354	302,436
Repairs	13,734	67,528	20,764	1,971	103,997
Staff Training/Seminars	5,251	6,679	2,521	407	14,858
Supplies	61,615	48,745	32,583	3,317	146,260
Subscriptions and Dues	-	-	1,324	88	1,412
Telephone	23,893	17,269	9,280	1,611	52,053
Travel	41,985	46,684	34,785	8,597	132,051
Utilities	42,251	10,675	9,996	9,088	72,010
Total	547,019	447,569	307,301	111,967	1,413,856
Total Expenses Before Depreciation	2,496,922	1,387,123	914,671	325,026	5,123,742
Depreciation Expense	75,002	33,750	37,500	-	146,252
Total Functional Expenses	\$ 2,571,924	\$ 1,420,873	\$ 952,171	\$ 325,026	\$ 5,269,994

See accompanying Notes to Consolidated Financial Statements

	2008			
	Supporting Services			
	G&A	Fund Raising	Total	Total
Salaries	\$ 509,886	\$ 195,650	\$ 705,536	\$ 3,788,745
Payroll Taxes and Employee Related Expenses	103,637	39,740	143,377	770,054
Total	613,523	235,390	848,913	4,558,799
Advertising	-	1,323	1,323	81,485
Activities	-	-	-	29,598
Allowances/Clothing	-	-	-	-
Cleaning and Maintenance	-	-	-	21,803
Community Education	58	-	58	4,014
Donor Recognition	-	9,205	9,205	10,576
Food	-	-	-	72,384
Special Events	-	9,341	9,341	9,341
Insurance	3,480	-	3,480	45,443
Interest	39,652	-	39,652	45,513
Leases	10,789	-	10,789	69,237
Professional Fees	18,798	-	18,798	109,246
Miscellaneous	3,882	810	4,692	15,694
Prevention and Care Services	-	-	-	171,783
Rent	63,284	44,008	107,292	409,728
Repairs	12,355	-	12,355	116,352
Staff Training/Seminars	1,325	-	1,325	16,183
Supplies	77,650	-	77,650	223,910
Subscriptions and Dues	3,461	-	3,461	4,873
Telephone	5,613	-	5,613	57,666
Travel	4,667	-	4,667	136,718
Utilities	8,398	-	8,398	80,408
Total	253,412	64,687	318,099	1,731,955
Total Expenses Before Depreciation	866,935	300,077	1,167,012	6,290,754
Depreciation Expense	49,224	-	49,224	195,476
Total Functional Expenses	\$ 916,159	\$ 300,077	\$ 1,216,236	\$ 6,486,230

CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2008 AND 2007

	2007				
	Program Services				Total
	Shelter	Prevention	Foster Adopt	Thrift Store	
Salaries	\$ 1,235,421	\$ 649,187	\$ 208,041	\$ 144,817	\$ 2,237,466
Payroll Taxes and Employee Related Expenses	264,088	138,772	44,472	30,957	478,289
Total	1,499,509	787,959	252,513	175,774	2,715,755
Advertising	7,821	7,928	8,482	8,226	32,457
Activities	6,743	4,247	-	-	10,990
Allowances/Clothing	630	-	-	-	630
Cleaning and Maintenance	8,599	5,799	1,870	-	16,268
Community Education	-	2,585	990	-	3,575
Donor Recognition	744	164	-	-	908
Food	47,459	8,431	1,021	190	57,101
Special Events	-	-	-	-	-
Insurance	25,344	8,726	-	-	34,070
Interest	-	-	-	-	-
Leases	35,735	15,016	3,973	-	54,724
Professional Fees	47,348	3,306	862	241	51,757
Miscellaneous	5,993	68	912	-	6,973
Prevention and Care Services	52,458	73,141	12,214	-	137,813
Rent	92,528	130,739	20,524	58,550	302,341
Repairs	15,907	36,690	16,642	5,098	74,337
Staff Training/Seminars	1,636	4,340	1,394	-	7,370
Supplies	60,961	49,668	25,017	5,456	141,102
Subscriptions and Dues	437	449	220	-	1,106
Telephone	21,042	20,230	2,659	1,900	45,831
Travel	28,274	42,646	13,130	3,368	87,418
Utilities	28,638	13,204	2,852	6,854	51,548
Total	488,297	427,377	112,762	89,883	1,118,319
Total Expenses Before Depreciation	1,987,806	1,215,336	365,275	265,657	3,834,074
Depreciation Expense	45,049	13,515	-	-	58,564
Total Functional Expenses	\$ 2,032,855	\$ 1,228,851	\$ 365,275	\$ 265,657	\$ 3,892,638

See accompanying Notes to Consolidated Financial Statements

	2007			
	Supporting Services			
	G&A	Fund Raising	Total	Total
Salaries	\$ 655,778	\$ 197,145	\$ 852,923	\$ 3,090,389
Payroll Taxes and Employee Related Expenses	140,181	42,143	182,324	660,613
Total	795,959	239,288	1,035,247	3,751,002
Advertising	-	-	-	32,457
Activities	-	-	-	10,990
Allowances/Clothing	-	-	-	630
Cleaning and Maintenance	-	-	-	16,268
Community Education	80	-	80	3,655
Donor Recognition	-	1,704	1,704	2,612
Food	-	-	-	57,101
Special Events	-	83,494	83,494	83,494
Insurance	3,370	-	3,370	37,440
Interest	3,837	-	3,837	3,837
Leases	12,699	-	12,699	67,423
Professional Fees	18,927	11,366	30,293	82,050
Miscellaneous	3,516	-	3,516	10,489
Prevention and Care Services	-	-	-	137,813
Rent	72,788	44,455	117,243	419,584
Repairs	13,779	719	14,498	88,835
Staff Training/Seminars	664	-	664	8,034
Supplies	37,214	16,654	53,868	194,970
Subscriptions and Dues	4,313	-	4,313	5,419
Telephone	5,628	-	5,628	51,459
Travel	3,732	-	3,732	91,150
Utilities	6,638	-	6,638	58,186
Total	187,185	158,392	345,577	1,463,896
Total Expenses Before Depreciation	983,144	397,680	1,380,824	5,214,898
Depreciation Expense	16,518	-	16,518	75,082
Total Functional Expenses	\$ 999,662	\$ 397,680	\$ 1,397,342	\$ 5,289,980

**CHILD CRISIS CENTER
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2008 AND 2007**

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 943	\$ 3,523,782
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	195,476	75,082
In-Kind Donations of Property and Equipment	(29,573)	(55,621)
Gifts and Contributions Restricted for Capital Expansion	(536,368)	(1,282,242)
Realized Gain on Investments	(117,031)	(27,085)
Unrealized Gain (Loss) on Investments	267,014	(150,533)
(Increase) Decrease in Operating Assets		
Contracts Receivable	(56,202)	(264,599)
Prepaid Expenses	(32,014)	(2,421)
Deposits	(650)	(1,274)
Increase (Decrease) in Operating Liabilities		
Accounts Payable and Accrued Expenses	(332,700)	352,955
Unearned Revenue	-	(12,214)
Net Cash Provided (Used) by Operating Activities	(641,105)	2,155,830
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Investments	657,105	249,200
Reinvested Dividends	29,030	-
Purchases of Investments	(611,212)	(196,206)
Purchases of Property and Equipment	(2,504,063)	(1,867,983)
Net Cash Used by Investing Activities	(2,429,140)	(1,814,989)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Expansion	1,140,621	116,339
Net Proceeds on Bank Line of Credit	105,000	57,000
Proceeds from Note Payable	1,684,120	-
Payment on Capital Lease	(6,964)	(6,247)
Net Cash Provided by Financing Activities	2,922,777	167,092
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(147,468)	507,933
Cash and Cash Equivalents - Beginning of Year	872,648	364,715
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 725,180	\$ 872,648
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 66,040	\$ 3,837
In-Kind Donations of Property and Equipment	\$ 29,573	\$ 55,621
Assets Purchased through Capital Lease	\$ 27,910	\$ -

See accompanying Notes to Consolidated Financial Statements

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

The Child Crisis Center (formerly known as Child Crisis Center – East Valley, Inc.) (the “Center”) is a non-profit organization established in 1981 for the purpose of providing a temporary shelter for children through age fifteen who have been either abused or are in an environment where their well being is in jeopardy. The Center also provides counseling and guidance to the parents or guardians of these children. The Center serves the metropolitan Phoenix area.

Basis of Consolidation

The Child Crisis Center Foundation (formerly known as Child Crisis Center – East Valley Foundation, Inc.) (the “Foundation”) solicits, receives, and manages funds for the benefit of the Center.

The Center and Foundation adopted the provisions of the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 94-3 (SOP 94-3), “Reporting of Related Entities by Not-for-Profit Organizations.” According SOP 94-3 a not-for profit organization that has both control of another not-for-profit organization (as evidenced by either majority ownership or a majority voting interest in the board of the other not-for-profit organization) and an economic interest in the other not-for-profit organization must consolidate the financial statements of the two organizations. As of June 30, 2008 and 2007, board members from the Center had a majority voting interest on the Foundation’s board of directors. In addition, the Foundation’s bylaws state that at least a majority of the members of the Foundation’s board of directors shall be members of the Center’s board of directors. Accordingly, the accompanying financial statements include the accounts of the Center and the Foundation. All significant intercompany account balances and transactions have been eliminated in the accompanying consolidated financial statements.

On December 20, 2006 the Center merged with Arizona Action for Foster Children, an Arizona non-profit corporation. The Center acquired the assets and liabilities of Arizona Action for Foster Children with as of January 1, 2007. (See Note 11)

Financial Statement Presentation

The Center reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board of directors for use in the Center’s operations, in accordance with its bylaws.

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by the Center and/or the passage of time. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase in unrestricted support at the time of receipt.

Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements.

As of June 30, 2008 and 2007, the Center has only unrestricted and temporarily restricted net assets.

Cash and Cash Equivalents

The Center considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents.

The Center in the normal course of business, maintains checking and savings account balances in excess of the Federal Deposit Insurance Corporations insurance coverage limits.

Contracts Receivable

Contracts receivable consist primarily of amounts due for services provided to the community. Service fees are based on costs and units of service. Contract receivables are stated at unpaid balances, less an allowance for doubtful accounts. The Center considers all receivables collectible and, accordingly has not made an allowance for uncollectible accounts.

Pledges Receivable

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Contributions that are expected to be collected within one year are recorded at their net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of the amount expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the contribution is received. Conditional pledges are not included as support until such time as the conditions are substantially met. The Center currently does not have conditional pledges.

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are carried at cost or for donated assets the fair value at the date of donation. Maintenance and repairs are expensed as incurred; significant acquisitions and improvements costing over \$5,000 are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Office Equipment	3 to 10 Years
Clinic Equipment	5 to 10 Years
Vehicles	5 Years
Leasehold Improvements	0 to 5 Years
Building	0 to 30 Years

Investments

The Center records investments with readily determinable fair values at fair value as determined by quoted market prices. Unrealized gains and losses are included in the consolidated statement of activities.

Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the period received. All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending upon the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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

In-Kind Contributions

Donated assets and services are recorded at estimated fair value at date of receipt. A substantial number of unpaid volunteers have made significant contributions of their time to the Center. Generally accepted accounting principles require that contributed skilled services, as described by *Statement of Financial Accounting Standard No. 116 (FAS 116), Accounting for Contributions Received and Contributions Made*, be valued and reflected in the financial statements. The Center recorded contributed medical, legal and computer consulting skilled services of \$0- and \$9,518 and contributed rent of \$295,000 for each of the years ended June 30, 2008 and 2007, respectively. The Center recorded contributed property and equipment of \$29,573 and \$55,621 for years ended June 30, 2008 and 2007, respectively. In addition, the Center receives other services from individuals from the community, which are not recognized in the financial statements because such services do not meet the recognition criteria of FAS 116.

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Salaries and related expenses are allocated based on the job descriptions and the best estimates of management. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated on the best estimates of management.

Income Taxes

The Center is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and comparable state law. Contributions to the Center are tax deductible within the limitations described by the Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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. Actual results could differ from those amounts.

Reclassification

Certain amounts in 2007 have been reclassified for comparative purposes to conform with the presentation in 2008. The reclassifications have no effect on net assets as previously reported.

NOTE 2 CONCENTRATION OF CREDIT RISK

Credit Risk

The Center is subject to concentrations of credit risk with respect to contract receivables and contract revenues due to its limited customer base. The Arizona Department of Economic Security accounted for 61% and 58% of contract receivables and 32% and 17% of public support and revenue for years ended June 30, 2008 and 2007, respectively.

Market Value Risk

The Center invests in debt and equity investments. These investments are exposed to various risk, such as fluctuations in market value and credit risk. It is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements. Subsequent to June 30, 2008 there has been a substantial decline in the fair market value of investments due to changes in market conditions and other factors.

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 3 PLEDGES RECEIVABLE

During fiscal year 2007 the Center began a capital campaign to construct a new facility and renovate the shelter. The campaign was completed in fiscal year 2008.

Pledges are receivable as follows:

	2008	2007
Due Within One Year	\$ 450,497	\$ 594,990
Due Within One to Five Years	471,298	990,349
More Than Five Years	-	6,400
Total	921,795	1,591,739
Less: Discount for Time Value of Money (5.09%)	(26,721)	(92,412)
Net Pledge Receivable	895,074	1,499,327
Pledge Receivable, Current Portion	450,497	594,990
Pledge Receivable, Non-Current Portion	\$ 444,577	\$ 904,337

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2008	2007
Office Equipment	\$ 763,502	\$ 317,026
Clinic Equipment	61,935	61,935
Vehicles	192,665	163,092
Leasehold Improvements	1,230,703	1,226,703
Building	4,169,778	-
Construction in Progress	-	2,088,281
Land	203,454	203,454
Total	6,622,037	4,060,491
Less: Accumulated Depreciation	1,823,396	1,627,920
Property and Equipment, Net	\$ 4,798,641	\$ 2,432,571

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 5 INVESTMENTS

Investments consist of the following:

	<u>2008</u>	<u>2007</u>
Money Market	\$ 138,737	\$ 167,517
Debt Securities	454,500	376,605
Equity Securities	663,816	922,873
Alternative Investments	148,234	143,569
Real Estate	55,271	74,900
Total Investments	<u>\$ 1,460,558</u>	<u>\$ 1,685,464</u>

NOTE 6 LINE OF CREDIT

The Center has a revolving line of credit for \$175,000 with an interest rate prime plus 1% (6.00% at June 30, 2008). Outstanding balance as of June 30, 2008 and 2007 was \$162,000 and \$57,000, respectively.

NOTE 7 NOTE PAYABLE

The Center has a loan with a bank which has been used to finance the construction of its building. The note requires monthly interest payments with interest calculated based on the LIBOR rate plus 2% (4.48% at June 30, 2008). The note is secured by the Center's property, investments, pledges, cash and cash equivalents. The note requires principal reduction payments reducing the outstanding principal balance to \$1,076,000 on January 31, 2009, \$443,000 on January 31, 2010 and \$122,000 on January 31, 2011. The entire balance is due on January 31, 2012. The note is subject to non-financial covenants. Outstanding balance as of June 30, 2008 and 2007 was \$1,684,120 and \$-0-, respectively.

Future minimum payments on the note payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 608,120
2010	633,000
2011	321,000
2012	122,000
Total	<u>\$ 1,684,120</u>

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2008 and 2007, temporarily restricted net assets were available for the following purposes:

	2008	2007
Shelter Remodeling	\$ 102,132	\$ -
Capital Expansion Project	-	1,377,186
	\$ 102,132	\$ 1,377,186

Temporarily restricted net assets of \$1,811,422 and \$832,242 were released from restrictions by incurring expenses for capital expansion project during years ended June 30, 2008 and 2007, respectively.

NOTE 9 RETIREMENT PLAN

The Center maintains a qualified retirement plan under section 403(b) of the Internal Revenue Code. The plan's effective date was July 1, 1993. Employees of the Center are eligible to participate after one year of service and the attainment of age twenty-one.

The Center may make discretionary matching contributions equal to a percentage of each participant's deferred compensation, up to 5% of compensation, determined annually by the Center. The Center contributed 0% and 5% of the compensation of the eligible participants or \$-0- and \$53,968 during the years ended June 30, 2008 and 2007, which is included in employee related expenses.

NOTE 10 LEASE COMMITMENTS

Capital Lease

The Organization leases equipment under a capital lease. The asset is included in equipment as follows at June 30:

	2008	2007
Equipment	\$ 27,910	\$ -
Less: Accumulated Amortization	(7,974)	-
Total	\$ 19,936	\$ -

The equipment lease requires monthly payments of \$792 through expiration in 2011.

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 10 LEASE COMMITMENTS (CONTINUED)

Future minimum lease payments under this lease are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 9,504
2010	9,504
2011	4,752
Total Minimum Lease Payments	23,760
Less: Interest	(2,814)
Total Principal	20,946
Less: Current Portion	(7,759)
Long-Term Capital Lease	<u>\$ 13,187</u>

Operating Leases

The Center has two lease agreements for the use of the facilities used in operations with the City of Mesa at an annual rent of \$2. The annual fair value of comparable leased facilities is estimated to be approximately \$295,000 which is recorded as both gifts-in-kind and rent expense for the year ended June 30, 2008 and 2007. The leases are scheduled to expire on May 30, 2015 and December 31, 2017. One of the leases provides either the Center or the City of Mesa the right to terminate the leases for any reason, without penalty, on six months prior written notice to the other party at any time during the remaining term of the lease. The other lease only provides the right of termination to the City of Mesa.

The Center has entered into various lease agreements which are classified as operating leases for office equipment at June 30, 2008 and 2007. Lease expense for years ended June 30, 2008 and 2007 was \$121,528 and \$130,634, respectively.

Future minimum payments on the operating leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 142,128
2010	137,197
2011	85,636
2012	26,452
2013	13,190
Total	<u>\$ 404,603</u>

**CHILD CRISIS CENTER
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2008 AND 2007**

NOTE 11 ARIZONA ACTION FOR FOSTER CHILDREN MERGER

During the year ended June 30, 2007, the Center merged with Arizona Action for Foster Children, an Arizona nonprofit corporation, in order to better serve children of the metropolitan Phoenix area. The merger is being reported under the purchase method of accounting. At the time of the combination, Arizona Action for Foster Children's balance sheet consisted of the following:

Cash	\$ 62,999
Accounts Receivable	188,577
Other Assets	1,032
Total Assets	<u>\$ 252,608</u>
Accounts Payable and Accrued Expenses	\$ 10,800
Net Assets	241,808
Total Liabilities and Net Assets	<u>\$ 252,608</u>

The net asset value was recorded as a contribution in these financial statements. The operations of the Arizona Action for Foster Children have been included in these financial statements as of January 1, 2007.

NOTE 12 SUBSEQUENT EVENTS

Subsequent to year-end, the Board of Directors approved changing the Organization's year-end from June 30 to December 31. The change is effective as of December 31, 2008.

Subsequent to year-end, the Center entered into a contract for construction services totaling approximately \$417,000.