1b. Unrestricted Days Liquidity

Please refer to the attached Statement of Financial Position and Statement of Activities prepared internally for the period ended March 31, 2015. The change in net assets reflects a positive amount for the nine month period of $98,010. As stated originally, the financial strength has begun to improve. Several items of note: Pledges receivable in the amount of $46,473 is now reflected on the Statement of Financial Position, whereas prior accounting only reflected amounts received. As of April 30, 2015 the entire amount of $46,473 had in fact been received. These pledges/contributions were part of our renewed pledge drive and commitment to additional fund raising. This is to be an annual effort, building on our past endeavors and increased base of supporters.

Recently we completed the refinancing of our long term note payable with a financial institution as there was a typical five year term with amortization over thirty years. As part of that refinance, an appraisal was conducted (that we do not have access to at this point) and the value of our campus, consisting of three stand-alone buildings was put at an appraised value of $1.5-$1.8 million each. Included in our audit and properly classified as "current portion of notes payable" is an amount of $28,500, representing a debt cancellation of a Housing and Urban Development Block Grant (HUD) administered by the City of Phoenix. This is a twenty year declining note and the terms of a second building were satisfied on August 11, 2014. This is a non-cash transaction and the complete note can be found on page 8 of our audit reports for the past fiscal year. As is the convention in accounting vs. finance, the value of the fixed assets is taken at historical cost, net of depreciation and not at a stepped up valuation of fair market value.

Of note is the fact that the depreciation expense reported on our Statements of Activities for the year ended June 30, 2014 is a non-cash item and although rightfully reported as an expense, it has no negative effect on cash. All fixed assets have been purchased from general fund sources.
Equipment rental expense is high and a thorough analysis of the organization's needs will reduce this expense by $41,350 in the fiscal year commencing July 1, 2015. We have also conducted analysis of all expenses and have found ways to significantly reduce costs starting July 1, 2015. Certain expenses, by their nature, will rise; such as utility expense, transportation (as our reimbursements are tied to federal rates), but overall we have found ways to reduce equipment rental expense, insurance, materials and supplies and other expenses. These efforts will reflect favorably starting in the July-June 2016 period.

The line of credit balance available has improved to $ 15,393 as of March 31, 2015 and should continue to move in that direction.

2a. Net Income

Commencing in the mid-seventies, the organization has been a leader in the provision of services to youth in the community. A grant of $18,500 has grown to over $2.1 million annually in federal, state and county grants for the provision of workforce and education services. Nationally recognized as a leader and innovator in services to youth we have grown our base of support in both dollars and stature (please refer to NOTE 3-GRANTS found on page 8 of our audit report. There was a reduction year over

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year in this category due to the Walmart Foundation/Brandeis University grant ending and our decision not to accept a replacement grant due to restructuring certain functions within the organization. Reference is also made to NOTE 9_ECONOMIC DEPENDENCY found on page 11 of our audit report. We are well aware of the realities on governmental funding and have aggressively increased our fundraising and expanded new endeavors to include a component for Social Enterprise that we are in the process of funding with the goal of being self-sustaining and profit generating. We have reached out and have formed partnerships with the business community and several institutions of higher learning to implement this component. We have formed partnerships with private industry to supply and train our participants with knowledge and firsthand experience in higher paying professions.

The education component of our organization was formed to provide at-risk youth with a chance to receive an education where other attempts had failed. We have taken the hardest to educate, those who have dropped out and gone from school to school. We have invested hundreds of thousands of our general fund dollars in these youth to provide them with a chance at success. Remedial work is almost a foregone conclusion with many, as is social assistance. We do this because it is our mission.
With our funding structure, the majority of our grants are self-sustaining where we cannot show any excess revenue, thus no contribution to our general fund. Our sustainability cannot be judged by our grants, we spend what we receive (by contract and by design). We have flourished at a time of diminishing grant resources.

The Board of Directors has taken measures to explore and implement new and innovative sources of non- governmental revenues. Each board member has pledged financial support to the organization, we had formed committees approximately one year ago and those committees are now functioning and we have a planning and finance committee that has been implementing plans to expand the "profit" side of our organization. Additionally, we have spent much time and resources on a marketing plan than will assist us in expansion of generating general fund dollars.

2b. Cash Flow
Please refer to 2a. Net Income above.

2c. Fixed Charge Coverage Ration
Please refer to 2a. Net Income above

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Arizona Call-A-Teen Youth Resources, Inc.
Statement of Financial Position
March 31, 2015

ASSETS		
Current assets		
Cash and cash equivalents	25872	
Due from governmental agencies	297880	
Pledges receivable	46473	
Prepaid expenses	4750	
Total current assets		374975
Property and equipment		
Land	242365	
Furniture and fixtures	1022682	
Buildings and improvements	2190865	
LESS: accumulated depreciation	-2154277	
		1301635
Total assets		1676610
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued expenses	186740	
Line of credit payable	84607	
Accrued vacation	50246	
Current portion of notes payable	57152	
		378745
Notes payable, net of current maturities		679795
		1058540
Unrestricted net assets		618070
Total liabilities and net assets		1676610

Arizona Call-A-Teen Youth Resources, Inc.
Statement of Activities
Nine Months Ended March 31, 2015

Revenues		
Grants revenues	2126859	
Donations	42669	
Charter School -Rental Income & Tax Credit	69228	
CDBG Debt reduction	21375	
E-Rate	16610	
Youthbuild Incentives	67558	
Other	26994	
Total revenue and support		2371293
Expenses		
Staff salaries and related expenses	1425720	
Participant salaries and related expenses	173970	
Travel	13832	
Insurance	21263	
Utilities	60829	
Equipment rental	77029	
Materials and supplies	18587	
Repairs and maintenance	44594	
Training and development	70664	
Particiapnt assistance	48170	
Professional fees	25289	
Other expenses	65996	
Depreciation and amortization	14553	
Interest expense	26528	
Awards to subrecipients	186259	
Total expenses		2273283
Change in net assets		98010

VERBIAGE TO ADDRESS GOING CONCERN AND LIQUIDITY ISSUES

Due to the nature of the services provided by ACYR, the Charter School is an integral part of the organization and what it brings to the community. The organization has subsidized the school from inception and the board of directors is committed to the furtherance of the objectives set forth in its mission to youth. Lack of adequate state funding has not deterred us carrying out this mission.

Originally set up as a dropout prevention program with several school districts, we saw a need to help the population most in need. The youth that had either dropped out or was about to. We have fought an uphill battle with this special population and continue to be committed to the success of our students.

The financial strength of the organization as a whole is in the process of being improved as new board members with financial expertise have been brought on board, such as several bankers and financial analysts. It should be noted that the organization presently has and has had in the past an excellent credit rating and relationships with its financial institution. We have a line of credit that we can draw on as well as using the value of fixed assets to secure additional financing. Presently, we own three buildings with as assessed valuation in excess of $4.5 million dollars with less than 17% encumbered by a mortgage.

SUSTAINABILITY MEASURES

Throughout our forty year history, we have shown a financial resilience. Starting out as an organization bringing together teens and individuals seeking baby sitters we have grown to a point that we have a fund balance in excess of half a million dollars, fixed assets with a value in excess of $1.2 million and a funding base that exceeds $ 3 million annually. Depending on funding cycles and the availability of funding we either expand or contract, however our base is solid. Typically, our grants to do not allow for "profit" and it is only through fundraising, board participation and donations that we have non-restrictive funds.

We have set goals this year to decrease our reliance on governmental funding and to expand those services that both meet our mission and allow us room to expand. Our audits continually reflect the integrity of the organization. The charter school portion of our organization has suffered the same fate as many schools in Arizona and that is lack of adequate funding, yet we continue to believe in our mission and fund the educational component. The dropout recovery program will only help us achieve our goals more quickly.

. The A-133 audit that the Charter School Board receives from us annually reflects the organization as a whole and does not separate out our charter school as it is a segment of the totality.