CANDELEN
(a non-profit corporation)

Financial Statements
with
Auditor's Report

Year ended June 30, 2024

DOUGLAS P. KIENITZ, CPA, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors:
Candelen:

Opinion

I have audited the accompanying financial statements of Candelen (a non-profit corporation), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Candelen as of June 30, 2024, and the changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Candelen and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Candelen's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Candelen's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Candelen's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

May 12, 2025

Ogden P. Ut. CPA. P.C.

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Statement of Financial Position

June 30, 2024

ASSETS	
Current assets:	
Cash and cash equivalents	$ 3,087,784
Investments	2,818,190
Grants and contracts receivable	2,441,444
Prepaid expenses	39,511
Total current assets	8,386,929
Property and equipment, at cost, net of accumulated depreciation of $177,558	2,511,225
Other assets:	
Beneficial interest in assets held by others	-
Refundable deposits	2,119
Total Assets	$ 10,900,273
LIABILITIES	
Current liabilities:	
Accounts payable	$ 935,040
Accrued salaries, vacation, and taxes payable	333,204
Deferred revenue	-
Note payable, current portion	51,341
Security deposit payable	15,303
Total current liabilities	1,334,888
Note payable, net of current portion	1,662,004
Total Liabilities	2,996,892
NET ASSETS	
Net assets:	
Net assets without donor restrictions	7,361,174
Net assets with donor restrictions	542,207
Total net assets	7,903,381
Total Liabilities and Net Assets	$ 10,900,273

See accompanying notes to financial statements

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Statement of Activities

Year ended June 30, 2024

Changes in net assets without donor restrictions:	
Support and revenue:	
Grants and contracts	$ 10,652,260
Donations	882,109
Investment income	143,116
Other	127,528
Total support and revenue without donor restrictions	11,805,013
Net assets released from restrictions	444,367
Total support and revenue without donor restrictions and net assets released from restrictions	12,249,380
Expenses:	
Program services:	
First Things First Funded Programs	10,532,768
Other	1,307,008
Supporting services:	
Management and general	1,035,578
Fundraising	66,297
Total expenses	12,941,651
Decrease in net assets without donor restrictions	(692,271)
Changes in net assets with donor restrictions:	
Grants with restrictions	542,207
Net assets released from restrictions	(444,367)
Increase in net assets with donor restrictions	97,840
Decrease in net assets	(594,431)
Net assets at July 1, 2023	8,497,812
Net assets at June 30, 2024	$ 7,903,381

See accompanying notes to financial statements

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Statement of Functional Expenses

Year ended June 30, 2024

	Program Services			Supporting Services			
	First Things First Funded Programs	Other	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total Expenses
Salaries	$ 4,333,654	463,737	4,797,391	596,066	29,282	625,348	5,422,739
Employee benefits	748,619	18,715	767,334	6,170	15,929	22,099	789,433
Payroll taxes	365,973	46,992	412,965	5,718	8,960	14,678	427,643
Equipment rentals and maintenance	49,239	112	49,351	6,276	-	6,276	55,627
Printing	3,832	1,426	5,258	5	-	5	5,263
Postage	5,735	95	5,830	931	-	931	6,761
Dues and subscriptions	1,179	-	1,179	625	-	625	1,804
Supplies	4,015,452	193,115	4,208,567	48,674	1,572	50,246	4,258,813
Communication	125,039	8,580	133,619	180	-	180	133,799
Office supplies and expenses	16,978	2,474	19,452	3,109	2,097	5,206	24,658
Training	10,565	17,607	28,172	3,401	-	3,401	31,573
Advertising	1,996	15,632	17,628	14,195	1,878	16,073	33,701
Professional fees	303,097	464,322	767,419	35,920	6,300	42,220	809,639
Travel	178,584	24,496	203,080	59,636	279	59,915	262,995
Software	112,624	3,838	116,462	31,923	-	31,923	148,385
Insurance	82,184	1,888	84,072	345	-	345	84,417
Occupancy	117,168	343	117,511	88,439	-	88,439	205,950
Interest	-	-	-	67,165	-	67,165	67,165
Consultants	-	42,733	42,733	9,814	-	9,814	52,547
Other	5,552	903	6,455	56,986	-	56,986	63,441
Total expenses before depreciation	10,477,470	1,307,008	11,784,478	1,035,578	66,297	1,101,875	12,886,353
Depreciation	55,298	-	55,298	-	-	-	55,298
	$ 10,532,768	1,307,008	11,839,776	1,035,578	66,297	1,101,875	12,941,651

See accompanying notes to financial statements.

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Statement of Cash Flows

Year ended June 30, 2024

Operating activities:	
Decrease in net assets	$ (594,431)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	55,298
Unrealized gain on investments	(125,395)
Changes in operating assets and liabilities:	
Decrease in receivables	841,355
Increase in prepaid expenses	(31,982)
Decrease in beneficial interest in assets held by others	567,616
Increase in accounts payable	375,100
Decrease in accrued salaries and vacation	(11,232)
Decrease in deferred revenue	(14,359)
Net cash provided by operating activities	1,061,970
Investing activities:	
Purchase of investments	(581,054)
Purchase of property and equipment	(105,256)
Net cash used by investing activities	(686,310)
Financing activities:	
Payments on note payable	(47,066)
Net cash provided by financing activities	(47,066)
Net increase in cash and cash equivalents	328,594
Cash and cash equivalents at July 1, 2023	2,759,190
Cash and cash equivalents at June 30, 2024	$ 3,087,784
Supplemental data:	
Interest paid	$ 67,165

See accompanying notes to financial statements

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Notes to Financial Statements

June 30, 2024

(1) Operations

Candelen ("Organization") is a non-profit organization that provides a comprehensive and coordinated range of services and activities to child care providers and parents throughout Arizona. The Organization's programs include a child care food program, child care resource and referral, and training in this environment.

(2) Summary of Significant Accounting Policies

Significant accounting policies follow:

(a) Basis of accounting - Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting in which revenues are recognized when earned and expenditures are recognized when the obligation has been incurred.

(b) Basis of presentation - These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of fund transactions and balances into two categories of net assets:

Net assets without donor restrictions - These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions - These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently. Until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

(c) Cash and cash equivalents - The Organization maintains its operating cash balances with several financial institutions. The demand deposit accounts are partially insured by the Federal Deposit Insurance Corporation. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

(d) Grants and contracts receivable - Grants receivable are stated at their contractual outstanding balances, net of any allowance for doubtful accounts. Grants are considered past due if any portion of a grant has not been paid in full within the contractual terms of the account. The Organization begins to assess its ability to collect receivables that are over 90 days past due and provides for an adequate allowance for doubtful accounts based on the Organization's collection history, the financial stability and recent payment history of the grantor, and other pertinent factors. Based on these criteria, no allowance for doubtful accounts has been provided at June 30, 2024 since the Organization expects no material losses.

(e) Revenue and support - Revenue funded by contracts and fees are recognized as the Organization performs the contracted services. Grants and other support revenues are recognized when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the Organization. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions specifying 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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

(2) Summary of Significant Accounting Policies (continued)

(f) Property and equipment - Furniture and fixtures are recorded at cost. Depreciation is provided for in amounts of sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Improvements greater than $5,000 are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation.

The Organization is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Organization's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the year ended June 30, 2024.

(g) Investments - The Organization accounts for investments with readily determinable fair values in the statement of financial position at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sale of investments are determined using the specific identification method.. Unrealized gains and losses are included in the statement of activities.

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the financial statements.

(h) Functional expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

(i) Estimates - Management necessarily uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results may vary from such estimates and assumptions.

(j) Advertising - The Organization uses advertising to promote awareness of their programs available to the public. The production costs of advertising are expensed as incurred. Total advertising expense for the year ended June 30, 2024 was $33,701.

(k) Income taxes - The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organization has adopted the provisions of the accounting pronouncement related to accounting for uncertainty in income taxes. The Organization recognized no interest or penalties in the statements of activities for the year ended June 30, 2024. If the situation arose in which the Organization would have interest to recognize it, it would recognize this as interest expense and penalties would be recognized in other expenses. Currently, the prior three years are open under federal and state statutes of limitations and remain subject to review and change. The Organization is not currently under audit not has the Organization been contacted by these jurisdictions.

(1) Summary of Significant Accounting Policies (continued)

(k) Income taxes (continued) - Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination. Therefore, no provisions for the effects of uncertain tax positions bas been recorded for the year ended June 30, 2024.

(l) Leases - The Organization leases certain office equipment. The Organization determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of our leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU assets also include any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term

The Organization lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

No material leases existed at June 30, 2024 that would require recording an asset or liability.

(3) Investments

Investments consists of the following at June 30, 2024:

Issue	Market value
Cash and Cash Equivalents	$ 989,485
Stocks, Options and EFTs	959,841
U.S. Treasury notes	765,278
Mutual Funds	103,586
Balance at June 30, 2024	$ 2,818,190

Components of investment income follow:

Interest and dividends	17,721
Gains (losses)	125,395
Investment expense	-
	$ 143,116

(4) Property and Equipment

Property and equipment consists of the following at June 30, 2024:

Land	$ 1,143,730
Building	1,418,586
Equipment and furnishings	126,467
	2,688,783
Accumulated depreciation	177,558
Net property and equipment	$ 2,511,225

(5) Retirement Plan

In 2000, the Organization adopted a 401(k) retirement plan covering all eligible employees with at least one year of service. Contributions to the plan by employees are matched by the Organization equal to 3% of the compensation contributed. During the year ended June 30, 2024, the Organization contributed $75,398 as a matching amount.

(6) Evaluation of Subsequent Events

The Organization has evaluated subsequent events through May 12, 2025, the date which the financial statements were available to be issued.

(7) Available Resources and Liquidity

As of June 30, 2024, the Organization had net assets without donor restrictions of $7,361,174 and unrestricted cash of $3,087,784.

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the Organization considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities, to be general expenditures.

In addition to financial assets available to meet general expenditures over the next twelve months, the Organization operates with a budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and shows cash generated and used by operations for the year ended June 30, 2024.

Financial assets available for general expenditure within one year at June 30, 2024 consist of the following:

Cash - operations	$ 3,087,784
Grants and contract receivable	2,441,444
Investments	2,818,190
	8,347,418
Less donor imposed restrictions	542,207
	$ 7,805,211

(8) Beneficial Interest In Assets Held By Others

The Organization maintains a Cash Reserve Fund (the "Fund") with the Arizona Community Foundation ("ACF"). The primary purpose of the Fund is to provide support to the Organization to carry out its role and mission. All gifts, bequests, and devises to this Fund shall be irrevocable once accepted by ACF. The Organization believes the fair value of the future cash flows to be received from its beneficial interest in assets held by ACF approximates the fair value of the underlying assets held by ACF. The assets held at ACF are entirely comprised of pooled investment funds held and managed by ACF.

Fair value is based on the net asset value per share as determined by ACF and provided to the Organization. The Fund consists of equities, fixed income, venture capital and private equity, marketable alternatives, real estates, and cash equivalent funds. The investment is directed by ACF and the portfolio is designed to achieve returns consistent with ACF's adopted investment policies.

The account was closed during the year ended June 30, 2024.

(9) Fair Value Measurements

The Organization utilizes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Quoted prices for identical assets or liabilities traded in active exchange markets, such as the New York Stock Exchange.

Level 2 - Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

Level 3 - Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

During the year ended June 30, 2024, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operation.

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

Money market funds - Valued at the net asset value ("NAV") of shares held at year-end, as reported by each fund.

Registered equity securities - Valued at the closing price of the active market in which the security is traded.

Corporate and government bonds - Valued at the quoted market price for similar securities, which approximates fair value.

Beneficial interest in assets held by others - Determined by Organization's proportionate share of the ACF's pool investment portfolio. The Organization does not receive a detailed listing of the portfolio's assets. The Organization uses the net assets value to determine the ACF valuation using the market approach.

During the year ended June 30, 2024, there were no changes to the Organization's valuation techniques that had, or are expected to have, a material impact on its financial position or results of operations.

Assets measured at fair value as of June 30, 2024 are summarized as follows:

	Fair Value	Level 1
Cash and sweep balances	$ 989,485	989,485
Equities	1,828,705	1,828,705
Total assets	2,818,190	2,818,190
Beneficial interest in assets held by others	-	-
	$ 2,818,190	2,818,190

Management evaluated the significance of transfers between levels based upon the nature of the financial instruments and size of the transfer relative to total assets. For the year ended June 30, 2024, there were no significant transfers in or out of Levels 1, 2 or 3.

(10) Note Payable

On September 10, 2021, Candelen Obtained a loan from Great Western Bank in the amount of $1,840,000. The loan was used to finance the purchase of Candelen's office space. The note bears interest at 3.75% and is secured by the land and building. Payments of principal and interest of $9,519 are required through September 15, 2031 with a balloon payment due in September 2031.

Note payments over the next five years and thereafter are as follows:

2025	$ 51,341
2026	54,935
2027	58,780
2028	62,895
2029	67,298
Thereafter	1,418,096
	$ 1,713,345

(11) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30, 2024:

Purpose restrictions:	
Helios Education Foundation	$ 124,455
Helios	188,520
Bezos	229,232
	$ 542,207