

FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2019

FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

FRESH START WOMEN'S FOUNDATION

We have audited the accompanying financial statements of **Fresh Start Women's Foundation** (the "Foundation"), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fresh Start Women's Foundation** as of June 30, 2019, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, ***Fresh Start Women's Foundation*** adopted Financial Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2019. Our opinion is not modified with respect to this matter.

Mayer Hoffman McCann P.C.

October 10, 2019

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,045,291
Pledges receivable (Note 1)	52,414
Prepaid expenses and other current assets	<u>82,689</u>
TOTAL CURRENT ASSETS	1,180,394

INVESTMENTS (Note 2) 3,510,045

PROPERTY AND EQUIPMENT, net (Note 3) 2,582,121

OTHER ASSETS 14,132

TOTAL ASSETS \$ 7,286,692

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 133,465
Deferred revenue	140,651
Current maturities of note payable (Note 5)	<u>53,568</u>
TOTAL CURRENT LIABILITIES	<u>327,684</u>

NOTE PAYABLE, net of current maturities (Note 5) 1,296,913

TOTAL LIABILITIES 1,624,597

NET ASSETS

Net assets without donor restrictions	
Board designated (Note 6)	2,969,199
Undesignated	<u>2,267,282</u>
Total net assets without donor restrictions	5,236,481
Net assets with donor restrictions (Note 7)	<u>425,614</u>
TOTAL NET ASSETS	<u>5,662,095</u>

TOTAL LIABILITIES AND NET ASSETS \$ 7,286,692

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 1,018,635	\$ 101,975	\$ 1,120,610
In-kind contributions	198,408	-	198,408
Investment income	109,653	18,724	128,377
Other income	59,610	-	59,610
Net assets released from restrictions	183,727	(183,727)	-
	<u>1,570,033</u>	<u>(63,028)</u>	<u>1,507,005</u>
Special events:			
Special event revenue	1,988,550	-	1,988,550
Less costs of direct donor benefits	(191,068)	-	(191,068)
Gross profit on special events	<u>1,797,482</u>	<u>-</u>	<u>1,797,482</u>
TOTAL SUPPORT AND REVENUE	<u>3,367,515</u>	<u>(63,028)</u>	<u>3,304,487</u>
 EXPENSES			
Personnel costs	1,654,010	-	1,654,010
Employee related expenses	57,216	-	57,216
Marketing & public relations	81,400	-	81,400
Venue expenses	111,001	-	111,001
Other event expenses	119,858	-	119,858
Scholarships	94,832	-	94,832
Supplies & postage	76,679	-	76,679
Software & technology	81,769	-	81,769
Contracted outside services	357,556	-	357,556
Occupancy	188,930	-	188,930
Professional & legal fees	25,650	-	25,650
Interest expense	60,402	-	60,402
Depreciation	196,252	-	196,252
Other	4,184	-	4,184
TOTAL EXPENSES	<u>3,109,739</u>	<u>-</u>	<u>3,109,739</u>
CHANGE IN NET ASSETS	<u>257,776</u>	<u>(63,028)</u>	<u>194,748</u>
NET ASSETS, BEGINNING OF YEAR	<u>4,978,705</u>	<u>488,642</u>	<u>5,467,347</u>
NET ASSETS, END OF YEAR	<u>\$ 5,236,481</u>	<u>\$ 425,614</u>	<u>\$ 5,662,095</u>

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

	<u>Program Services</u>					<u>Total</u>	<u>Supporting Services</u>			
	<u>Mentoring</u>	<u>Family Law</u>	<u>Computer</u>	<u>Career</u>	<u>Support</u>		<u>Program</u>	<u>General and</u>		<u>Total</u>
			<u>Services</u>	<u>Exploration</u>				<u>Administrative</u>	<u>Fundraising</u>	
Personnel costs	\$ 75,031	\$ 144,062	\$ 97,531	\$ 256,724	\$ 724,909	\$ 1,298,257	\$ 183,418	\$ 172,335	\$ 1,654,010	
Employee related expenses	862	2,729	3,365	5,261	37,452	49,669	3,692	3,855	57,216	
Marketing & public relations	164	349	302	4,500	40,496	45,811	270	35,319	81,400	
Venue expenses	-	-	-	-	-	-	-	302,069	302,069	
Other event expenses	-	-	-	-	-	-	-	119,858	119,858	
Scholarships	-	618	-	89,023	5,191	94,832	-	-	94,832	
Supplies & postage	2,467	6,308	5,157	9,710	41,595	65,237	3,613	7,829	76,679	
Software & technology	1,444	10,788	12,723	6,238	27,781	58,974	4,651	18,144	81,769	
Contracted outside services	3,204	68,635	19,006	105,863	59,621	256,329	21,427	79,800	357,556	
Occupancy	4,494	41,408	36,520	21,096	67,445	170,963	2,124	15,843	188,930	
Professional & legal fees	1,203	2,114	2,211	4,175	11,233	20,936	1,972	2,742	25,650	
Interest expense	1,476	14,668	12,743	7,147	23,100	59,134	600	668	60,402	
Other	163	286	299	564	1,518	2,830	983	371	4,184	
	<u>90,508</u>	<u>291,965</u>	<u>189,857</u>	<u>510,301</u>	<u>1,040,341</u>	<u>2,122,972</u>	<u>222,750</u>	<u>758,833</u>	<u>3,104,555</u>	
Depreciation	4,796	47,659	41,403	23,223	75,054	192,135	1,947	2,170	196,252	
TOTAL EXPENSES	<u>\$ 95,304</u>	<u>\$ 339,624</u>	<u>\$ 231,260</u>	<u>\$ 533,524</u>	<u>\$ 1,115,395</u>	<u>\$ 2,315,107</u>	<u>\$ 224,697</u>	<u>\$ 761,003</u>	<u>\$ 3,300,807</u>	

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 194,748
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	196,252
Loss on disposal of property and equipment	720
Amortization of deferred financing costs	1,364
Net realized/unrealized investment gains	(56,936)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Pledges receivable	(4,306)
Prepaid expenses and other current assets	(10,537)
Increase (decrease) in:	
Accounts payable and accrued expenses	13,634
Deferred revenue	73,707
Net cash provided by operating activities	<u>408,646</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(26,708)
Purchases of investments	(386,990)
Proceeds from sale of investments	<u>300,152</u>
Net cash used in investing activities	<u>(113,546)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	<u>(52,360)</u>
Net cash used in financing activities	<u>(52,360)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	242,740
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>802,551</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,045,291</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 65,455</u>

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies

Foundation's operations – *Fresh Start Women's Foundation*, an Arizona Nonprofit Corporation, (the "Foundation"), was founded in 1992 and incorporated in Arizona as a not-for-profit organization in 1994. The Foundation is dedicated to helping women help themselves.

The Foundation primarily fulfills its mission through the work at the Jewell McFarland Lewis-Fresh Start Women's Resource Center (the "Center"), a 25,000 square foot facility opened in Phoenix, Arizona on October 2, 2002. This Center, the first comprehensive self-help center for women in the country, is a place for women to access information, programs and services to help them in times of transition. This Center is a model in partnering with other organizations and does not duplicate services found elsewhere in the community except where there is an unmet need. This Center accommodated approximately 25,881 visits during the year ended June 30, 2019. In addition, the Center is 100% privately funded.

The significant accounting policies followed by the Foundation are summarized below:

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Foundation is required to report information regarding their financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

The Foundation maintains its accounts on the accrual basis of accounting. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Foundation. These net assets may be used at the discretion of the Foundation's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Management's use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash includes cash and, at times, cash equivalents, which consist of highly liquid financial instruments purchased with original maturities of three months or less. Deposits at each institution are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies (continued)

Contributions – The Foundation accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions without donor restrictions or contributions with donor restrictions depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and change in net assets as net assets released from restrictions. Contributions with donor restrictions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to contributions without donor restrictions.

Total support from Board members was approximately \$461,000 for 2019.

Special events revenue – The Foundation conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective means exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Foundation. The direct costs of the special events which ultimately benefit the donor rather than the Foundation are recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying statement of activities and change in net assets. Any special events revenue received for direct donor benefits prior to the events would be recorded as deferred revenue in the accompanying statement of financial position until the event occurs, at which time it would be recognized as special events revenue.

Promises to give – Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, the Foundation's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of any discount is included in support from contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Credit risk on pledges receivable is considered by management to be limited due to prior collection history with these donors and their standing in the community. However, management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual balances. 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 pledges receivable. At June 30, 2019, pledges receivable are considered by management to be fully collectible, and accordingly, an allowance for uncollectible pledges is not considered necessary. All pledges receivable are due within one year.

Donated materials and services – Donated materials are recorded at their estimated fair value at the date of receipt. Donated services are recognized as contributions in accordance with FASB 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies (continued)

The Foundation received the following donated materials and services which are included in in-kind contributions:

<u>Contribution</u>	<u>Used For</u>	<u>Amount</u>
Marketing and public relations	Programs and supporting services	\$ 25,995
Contracted outside services	Programs	167,413
Miscellaneous items	Special events and fundraising	5,000
		<u>\$ 198,408</u>

Numerous volunteers have donated significant amounts of time to perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations, and various committee assignments. This support has not been recorded as a component of contributions as it does not meet the recognition criteria under FASB ASC 958-605. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$346,505 for the year ended June 30, 2019.

Investments and fair value measurements – The Foundation accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities* and FASB ASC 958-325, *Not-for-Profit Entities – Investments – Other*. Under FASB ASC 958-320, the Foundation reports investments in equity securities that have readily determinable fair values, and all investments in debt securities, at fair value. The fair values of marketable investments are based on quoted market prices. Investment income (including interest, dividends, and realized and unrealized gains and losses on investments) is included in the change in net assets. In accordance with FASB ASC 958-325, the Foundation values its investment in the Arizona Community Foundation (“ACF”) intermediate-term investment pool at fair value. The Foundation determines the fair value of its investments held in the ACF intermediate-term investment pool based on its investment percentage in the consolidated investment pool. ACF implements an investment strategy for these pooled funds that includes equity and fixed income investments.

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

FASB ASC 820, *Fair Value Measurement*, establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. FASB ASC 820 establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies (continued)

Property and equipment and related depreciation – Purchased property and equipment is valued at cost. Maintenance and repairs are charged to operations when incurred. Generally, property and equipment in excess of \$1,000 is capitalized.

When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation of property and equipment is computed on a straight-line basis over the following estimated useful lives:

	<u>Useful Life</u>
Building	35 years
Land improvements	35 years
Building improvements	10 years
Computer equipment and software	3 - 5 years
National website	3 years
Furniture, fixtures and equipment	3 - 10 years
Bus shelter	10 years

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions absent donor stipulations regarding how long those donated assets must be maintained. The Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets – The Foundation accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2019.

Deferred financing costs – In accordance with ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30)*, the Foundation shows debt issuance costs related to a recognized debt liability on the statement of financial position as a direct deduction from the carrying amount of that debt liability. The Foundation had capitalized debt issuance costs of \$9,136, less accumulated amortization of \$1,948 as of June 30, 2019 which are included as a reduction in note payable on the statement of financial position. Amortization expense was \$1,364 for the year ended June 30, 2019.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies (continued)

Functional expenses – The costs of providing the various programs and other activities have been summarized on a natural basis in the accompanying statement of activities and change in net assets. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and support services benefited based on full-time equivalents, physical usage and square footage. General and administrative expenses include those expenses that are not directly identifiable with any specific program but provide for the overall support and direction of the Foundation.

The expenses that are allocated include the following:

Administrative salaries and employee related expenses	Time incurred
Professional, legal, office supplies	Number of full time employees
Depreciation, overhead, interest expense, and debt costs	Square footage

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was approximately \$50,000 for the year ended June 30, 2019.

Income tax status – The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the “Code”) and, accordingly, there is no provision for income taxes. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income would be taxable. The Foundation evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

The Foundation's federal Return of Organizations Exempt from Income Tax (Form 990) for fiscal 2016, 2017 and 2018 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2019 informational return had not yet been filed.

Recent accounting pronouncements – In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised 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 or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing, and uncertainty of revenue that is recognized.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*, which changed the effective date of the provisions of FASB ASU No. 2014-09. As a result, the new effective dates for public business entities, certain not-for-profit entities, and certain employee benefit plans to apply the guidance in FASB ASU No. 2014-09 is for annual reporting periods beginning after December 15, 2017. All other entities should apply the guidance in FASB ASU No. 2014-09 to annual reporting periods beginning after December 15, 2018. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016. Transition to the new guidance may be done using either a full or modified retrospective method. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(1) Operations and summary of significant accounting policies (continued)

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 is intended to clarify current guidance about whether a transfer of assets is a contribution or an exchange transaction. ASU 2018-08 is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The update is intended to be applied on a modified prospective basis, but retrospective application is permitted. The Foundation is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the balance sheet upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. The Foundation does not expect the adoption of this standard to have a material impact on the financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. Early application is permitted. The amendments of this ASU are to be applied on a retrospective basis in the year that the ASU is first applied. The Foundation adopted ASU 2016-14 in 2019.

In accordance with the amendments of this ASU, the Foundation expanded disclosures around the presentation of expense by function and nature. Additionally, the Foundation disclosed the liquidity and availability of resources.

A summary of the beginning net asset reclassifications driven by the adoption of ASU 2016-14 is as follows:

Net Asset Classifications	ASU 2016-14 Classifications		
	Without Donor Restrictions	With Donor Restrictions	Total
As previously reported:			
Unrestricted	\$ 4,978,705	\$ -	\$ 4,978,705
Temporarily restricted	-	238,642	238,642
Permanently restricted	-	250,000	250,000
Net assets, as reclassified	\$ 4,978,705	\$ 488,642	\$ 5,467,347

Subsequent events – The Foundation has evaluated subsequent events through October 10 2019, which is the date the financial statements were available to be issued.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(2) Investments

Investments consist of:

Cash	\$ <u>19,376</u>
Fixed income mutual funds	
Multisector bond	162,047
Intermediate term bond	266,644
Short term bond	169,948
Large blend	169,426
Other	<u>100,590</u>
Total fixed income mutual funds	<u>868,655</u>
Equity mutual funds	
Large blend	212,497
Other	<u>132,518</u>
Total equity mutual funds	<u>345,015</u>
ACF intermediate investment pool	<u>2,276,999</u>
Total investments	<u>\$ 3,510,045</u>

Investment income consists of:

Interest and dividend income	\$ 101,315
Investment fees	(29,874)
Unrealized gains on investments	47,815
Realized gains on investments	<u>9,121</u>
Total investment income	<u>\$ 128,377</u>

FASB ASC 958-605 *Not-for-Profit Entities – Revenue Recognition*, establishes accounting standards for transactions in which a community foundation accepts a contribution from a donor and agrees to transfer those assets, the return on investment of those assets, or both, to another entity that is specified by the donor. FASB ASC 958-605 specifically requires that if a not-for-profit organization ("NPO") establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must record the fund as an asset and the community foundation must account for the fund as a liability. The Foundation has such funds with ACF. The Foundation's funds at ACF are pooled with other funds at ACF to be invested.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(3) Property and equipment

Property and equipment consists of:

Cost and donated value:

Building	\$ 4,242,346
Land improvements	203,841
Building improvements	416,876
Computer equipment and software	195,519
National website	120,715
Furniture, fixtures and equipment	147,461
Bus shelter	<u>6,500</u>
Total cost and donated value	5,333,258
Accumulated depreciation	<u>(2,751,137)</u>
Net property and equipment	<u>\$ 2,582,121</u>

Depreciation expense charged to operations was \$196,252 for the year ended June 30, 2019.

(4) Lines of credit

During the year ended June 30, 2012, the Foundation entered into a revolving line of credit agreement with Merrill Lynch with available borrowings of up to \$675,000, due on demand and collateralized by certain investment accounts. Amounts available to borrow is limited to collateral on hand. As of June 30, 2019, the amount of available borrowings was approximately \$208,000. Interest accrues on borrowings at the one month LIBOR rate plus 3.125% (5.53% at June 30, 2019).

In May of 2017, the Foundation opened an additional revolving line of credit agreement with Wells Fargo with available borrowings of up to \$675,000, maturing in June 2018. In July 2018, the line of credit was renewed through August 2021 and secured by a deed of trust. Interest accrues on borrowings at the one month LIBOR rate plus 2.750% (5.105% at June 30, 2019).

There was no outstanding balance on either line of credit as of June 30, 2019.

(5) Note payable

The Foundation has a loan agreement with a bank which bears interest at 4.20% and matures in May 2027. Monthly principal and interest payments of \$9,283 are due for the remaining term of the loan, after which a balloon payment of all unpaid principal and interest is due at the maturity date. The loan is subject to certain non-financial covenants and is collateralized by the Foundation's building used for the Women's Resource Center.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(5) **Note payable (continued)**

Annual maturities under the loan agreement at June 30, 2019 are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 54,482
2021	57,845
2022	60,322
2023	62,905
2024	65,598
Thereafter	<u>1,056,517</u>
Total future maturities	1,357,669
Less unamortized deferred financing costs	<u>(7,188)</u>
Total note payable	<u>\$ 1,350,481</u>

(6) **Board designated net assets**

Board designated net assets consist of amounts set aside by the Board to establish an operating reserve (the "Reserve"). The purpose of the Reserve is to establish and maintain a reserve which positions the Foundation to be able to respond to varying economic conditions, ensure long-term financial stability, and continuously carry out its mission. The specific objectives of the Reserve are:

- (1) To create an internal line of credit to manage cash flows, maintain financial flexibility and meet commitments, obligations, or contingencies,
- (2) Prevent cash flow crises that lead to expensive, short term, crisis based decisions,
- (3) Provide funds to meet unfunded or unexpected needs, and
- (4) Provide funds for emergency and emerging needs without jeopardizing ongoing operations.

As a secondary purpose, the Reserve may also generate investment income that can be used for operational purposes or reinvested in the Reserve. No amounts were spent during 2019. As of June 30, 2019, the amount maintained for the Reserve is \$692,200.

Additionally, board designated net assets includes amounts set aside by the Board to establish a quasi-endowment fund to provide long-term funding for the mission of the Foundation. The assets of the quasi-endowment fund are managed to facilitate the Foundation's goals and objectives as outlined by the Board of Directors and is subject to an investment spending policy.

The spending policy makes available annually for spending 5% of the moving average balance of the total assets under management over the prior 36 month period. Such a policy will allow for greater predictability of spendable income for budgeting purposes and for gradual, steady growth for the support of operations by the investable assets. In addition, this policy will minimize the probability of invading the principal over the long term. However, since there may occasionally be situations requiring a higher percentage of spending from investable assets, the Finance Committee with the approval of the Foundation's Board of Directors may increase or decrease the spending rate on a temporary basis.

No amounts were spent during 2019. As of June 30, 2019, the amount maintained for the board designated quasi-endowment fund is \$2,276,999.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(7) Net assets with donor restrictions

Net assets with donor restrictions consist of:

Purpose restrictions:

Accumulated donor endowment fund earnings	\$ 73,888
Scholarships	15,456
Grants	86,270
Total pupose restrictions	<u>175,614</u>
Donor endowment funds restricted in perpetuity	250,000
Total net assets with donor restrictions	<u>\$ 425,614</u>

Satisfaction of purpose restrictions:

Grants	\$ 162,504
Scholarships	<u>21,223</u>
Total releases of net assets with donor restrictions	<u>\$ 183,727</u>

(8) Endowments

The Foundation's endowment consists of a donor restricted fund to be held in perpetuity and a board designated quasi-endowment. Earnings on the endowment are not restricted in accordance with the donor's intent. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

In September 2008, the State of Arizona enacted ARS§10-11801 et seq Management of Charitable Funds Act ("MCFA"). The Board of Directors of the Foundation has interpreted MCFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as net assets restricted in perpetuity (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as net assets restricted in perpetuity is classified as net assets subject to purpose or time restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MCFA.

To achieve its investment objectives over long periods of time, the Foundation has adopted an investment strategy that invests in domestic and international equities, fixed income, and money market strategies. The majority of assets are invested in fixed income securities. Equity and equity-like securities and alternative assets are used to lower short-term volatility. Diversification by asset class, investment style, investment manager, etc. is employed to avoid undue risk concentration and enhance total return. The primary performance objective is to preserve the fair value of endowment assets with the maximization of earnings as a secondary objective.

The spending policy determines the amount of money in a given year that will be distributed from the Foundation's endowment assets. The current spending policy is solely at the discretion of the Foundation's Board of Directors. Over the long term, the Foundation expects its endowment assets to grow at the rate of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment returns.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(8) Endowments (continued)

Endowment net asset compositions by type of fund as of June 30, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated quasi-endowment	\$ 2,276,999	\$ -	\$ 2,276,999
Donor restricted endowment held in perpetuity	-	250,000	250,000
Accumulated donor restricted endowment earnings	-	73,888	73,888
Endowment net assets, end of year	\$ 2,276,999	\$ 323,888	\$ 2,600,887

The changes in endowment net assets for the year ended June 30, 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,194,002	\$ 305,164	\$ 2,499,166
Investment return:			
Contributions	14,857	-	14,857
Interest and dividend income	4,610	10,780	15,390
Net appreciation	63,530	7,944	71,474
Appropriations for expenditure	-	-	-
Endowment net assets, end of year	\$ 2,276,999	\$ 323,888	\$ 2,600,887

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MCFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies at June 30, 2019.

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NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(9) Fair value measurement

The following table summarizes the valuation of the Foundation's assets and liabilities subject to recurring fair value measurement, other than investments measured at net asset value ("NAV") as a practical expedient, by the above FASB ASC 820 categories as of June 30, 2019:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds				
Multisector bond	\$ 162,047	\$ 162,047	\$ -	\$ -
Intermediate term bond	266,644	266,644	-	-
Short term bond	169,948	169,948		
Large blend	169,426	169,426	-	-
Other	<u>100,590</u>	<u>100,590</u>	-	-
Total fixed income mutual funds	<u>868,655</u>	<u>868,655</u>	-	-
Equity mutual funds				
Large blend	212,497	212,497	-	-
Other	<u>132,518</u>	<u>132,518</u>	-	-
Total equity mutual funds	<u>345,015</u>	<u>345,015</u>	-	-
Total assets	<u>\$ 1,213,670</u>	<u>\$ 1,213,670</u>	\$ -	\$ -

In accordance with ASU 2015-07, the investments in ACF of \$2,276,999 are excluded from the fair value measurements leveling disclosures. The Foundation determines the fair value of its investments held by ACF based on its investment percentage in the consolidated investment pool. ACF implements an investment strategy for these pooled funds that includes equity and fixed income funds. There are no unfunded commitments associated with the investments held at ACF and redemptions are permitted upon request.

The Foundation has no other financial instruments subject to fair value measurement on a recurring basis as of June 30, 2019.

(10) Commitments

The Foundation leases office equipment under various agreements expiring through June 2023. Future minimum rental payments under the noncancelable operating leases are as follows:

<u>Years Ending June 30,</u>	
2020	\$ 22,089
2021	16,597
2022	504
2023	<u>504</u>
Total minimum future rental payments	<u>\$ 39,694</u>

Total rent expense under the operating leases was \$15,606 for the year ended June 30, 2019.

The Foundation also has a ground lease agreement for the land where the Center is located with an annual rent of \$1. The lease term is for 75 years ending February 2076. Under the terms of the ground lease agreement, the Foundation may purchase the leased property for fair market value at the end of the 50th year of the agreement or at any time thereafter prior to the end of the agreement, provided the lease is in effect and the Foundation has made all of the payments required under the terms of the lease.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2019

(11) Retirement plans

Effective January 1, 2013, the Foundation elected to participate in the CBR Management Services, Inc. 401(k) plan, a multiple employer benefit plan. Under the provisions of the plan, employees who are at least 21 years of age and have provided at least one year of service in which they completed 1,000 hours of service are eligible to participate. The Foundation matches employee deferrals into the plan using a specified formula with a maximum match equal to 4% of the participant's compensation. During 2019, the Foundation made matching contributions of approximately \$25,000 which are included in employee related expenses in the accompanying statement of activities and change in net assets.

(12) Liquidity and availability of resources

Financial assets available for general expenditure that is without donor or other restrictions limiting their use, within one year of the statement of financial position date are as follows:

Cash and cash equivalents	\$ 1,045,291
Pledges receivable	52,414
Investments	3,510,045
Total financial assets	<u>4,607,750</u>
Less:	
Board designated long term reserve	(692,200)
Net assets with donor restrictions	(425,614)
Board designated quasi-endowment designated by the spending policy	(2,276,999)
Amounts collateralizing lines of credit	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,062,937</u>

The Foundation monitors its cash flows to ensure the fulfillment of all obligations. The Foundation's policy is to fully invest available funds in a manner that will provide investment returns while maintaining an acceptable risk profile. Amounts designated by the Board could be readily liquidated without significant penalty to fund operating cash flow needs upon approval.

Additionally, the Foundation maintains two \$675,000 lines of credit, as discussed in Note 4. As of June 30, 2019, approximately \$883,000 remained available for use by the Foundation, subject to bank approval.