FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2018

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FINANCIAL STATEMENTS

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CONTENTS

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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, 2018, and the related statements of activities, 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, 2018, 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.

Mayer Hoffman McCann P.C.

October 11, 2018

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2018

A S S E T S

CURRENT ASSETS	
Cash and cash equivalents	$ 802,551
Pledges receivable (Note 1)	48,108
Prepaid expenses and other current assets	72,152
TOTAL CURRENT ASSETS	922,811
INVESTMENTS (Note 2)	3,366,271
PROPERTY AND EQUIPMENT, net (Note 3)	2,752,385
OTHER ASSETS	14,132
TOTAL ASSETS	$ 7,055,599

L I A B I L I T I E S A N D N E T A S S E T S

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 119,831
Deferred revenue	66,944
Current maturities of note payable (Note 5)	51,450
TOTAL CURRENT LIABILITIES	238,225
NOTE PAYABLE, net of current maturities (Note 5)	1,350,027
TOTAL LIABILITIES	1,588,252
NET ASSETS	
Unrestricted	
Board designated	529,979
Undesignated	4,448,726
Total unrestricted	4,978,705
Temporarily restricted (Note 6)	238,642
Permanently restricted (Note 7)	250,000
TOTAL NET ASSETS	5,467,347
TOTAL LIABILITIES AND NET ASSETS	$ 7,055,599

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 1,289,139	$ 158,306	$ -	$ 1,447,445
In-kind contributions	93,886	-	-	93,886
Investment income	120,022	16,034	-	136,056
Other income	21,378	-	-	21,378
Net assets released from restrictions	45,661	(45,661)	-	-
	1,570,086	128,679	-	1,698,765
Special events:				
Special event revenue	1,842,372	-	-	1,842,372
Less costs of direct donor benefits	(210,730)	-	-	(210,730)
Gross profit on special events	1,631,642	-	-	1,631,642
TOTAL SUPPORT AND REVENUE	3,201,728	128,679	-	3,330,407
EXPENSES				
Program services	2,281,903	-	-	2,281,903
General and administrative	124,840	-	-	124,840
Fundraising	527,345	-	-	527,345
TOTAL EXPENSES	2,934,088	-	-	2,934,088
CHANGE IN NET ASSETS	267,640	128,679	-	396,319
NET ASSETS, BEGINNING OF YEAR	4,711,065	109,963	250,000	5,071,028
NET ASSETS, END OF YEAR	$ 4,978,705	$ 238,642	$ 250,000	$ 5,467,347

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries & Personnel Costs	$ 1,103,775	$ 61,208	$ 122,688	$ 1,287,671
Employee Benefits	60,266	2,451	3,662	66,379
401(k) Contributions	23,089	1,913	1,607	26,609
Payroll Management Fee	19,702	1,248	2,154	23,104
Staff Development & Training	5,441	1,245	427	7,113
Special Event Expenses	-	34,435	309,917	344,352
Individual Assistance	217,166	-	-	217,166
Payroll Taxes	99,595	5,201	11,011	115,807
In-Kind Expenses	73,411	4,951	15,524	93,886
Occupancy Costs	95,914	1,010	4,038	100,962
Equipment Maintenance	17,216	184	736	18,136
Program Related Events	45,833	-	-	45,833
Interest	56,649	598	2,393	59,640
Supplies	42,892	-	-	42,892
Professional Fees	26,459	945	4,095	31,499
Technology & Client Software	14,075	-	-	14,075
National Website Maintenance	28,191	443	886	29,520
Merchant Fees & Bank Charges	33,759	-	270	34,029
Leased Equipment	14,493	483	1,127	16,103
Insurance	17,103	5	20	17,128
Communication Costs	11,440	381	890	12,711
Contracted Outside Services	57,178	3,935	27,333	88,446
Board Development & Operations Costs	966	35	150	1,151
Marketing and Public Relations	13,757	917	3,668	18,342
Dues and Membership Fees	2,742	428	147	3,317
Printing	7,196	502	4,019	11,717
Cultivation & Community Outreach	1,434	130	1,043	2,607
Postage and Delivery	2,115	192	1,538	3,845
Total expenses before depreciation	2,091,857	122,840	519,343	2,734,040
Depreciation	190,046	2,000	8,002	200,048
TOTAL EXPENSES	$ 2,281,903	$ 124,840	$ 527,345	$ 2,934,088

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 396,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	200,048
Amortization of deferred financing costs	463
Net realized/unrealized investment gains	(98,132)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Pledges receivable	(22,288)
Prepaid expenses and other current assets	(26,847)
Increase (decrease) in:	
Accounts payable and accrued expenses	(26,575)
Deferred revenue	(21,106)
Net cash provided by operating activities	401,882
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(12,196)
Proceeds from sale of investments	220,081
Purchases of investments	(259,637)
Net cash used in investing activities	(51,752)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	(50,155)
Net cash used in financing activities	(50,155)
NET CHANGE IN CASH AND CASH EQUIVALENTS	299,975
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	502,576
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 802,551
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	$ 59,815

See Notes to Financial Statements

(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 25,700 visits during the year ended June 30, 2018. 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 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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").

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted contributions, where restrictions are fulfilled in the same period in which the contribution is received, are shown as additions to unrestricted contributions.

Four donors comprised approximately 40% of the contribution revenue for the year ended June 30, 2018. Total support from Board members was approximately $460,000 for 2018.

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

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. 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, 2018, 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.

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

Contribution	Used For	Amount
Advertising	Website and Media Exposure	$ 70,089
Miscellaneous items	Special Events	23,797
		$ 93,886

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

The Foundation utilizes the services of volunteers 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.

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.

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.

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

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:

	Useful Life
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 unrestricted net assets 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 restricted contributions 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 temporarily restricted net assets to unrestricted net assets 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, 2018.

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 $585 as of June 30, 2018 which are included as a reduction in note payable on the statement of financial position. Amortization expense was $463 for the year ended June 30, 2018.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities. 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.

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

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was approximately $70,100 for the year ended June 30, 2018.

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 2015, 2016 and 2017 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2018 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.

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 has estimated that if they were to adopt the standard for the year ended June 30, 2018, a non-current right of use asset of approximately $19,000 would be recorded and a corresponding current and non-current lease liability of approximately $7,600 and $11,400, respectively, would be recorded in the accompanying statement of financial position. The estimate was calculated using the future minimum lease payments (see Note 9) and a discount rate of 4.20%, representing the Foundation's incremental borrowing rate (see Note 5).

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

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 is currently evaluating the full effect that the adoption of this standard will have on the financial statements.

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.

Subsequent events – The Foundation has evaluated subsequent events through October 11, 2018, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:

Cash	$ 8,029
Fixed income mutual funds	
Multisector bond	230,308
Intermediate term bond	304,283
Short term bond	105,896
Large blend	156,184
Other	70,803
Total fixed income mutual funds	867,474
Equity mutual funds	
Large blend	207,624
Other	89,141
Total equity mutual funds	296,765
ACF long-term investment pool	2,194,003
Total investments	$ 3,366,271

Investment income consists of:

Interest and dividend income	$ 37,924
Unrealized gains on investments	79,110
Realized gains on investments	19,022
Total investment income	$ 136,056

(2) Investments (continued)

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.

Expenses relating to investment income, including custodial fees and investment advisory fees, charged to operations were $31,028 for the year ended June 30, 2018 and are included in general and administrative expense in the accompanying statement of activities.

(3) Property and equipment

Property and equipment consists of:

Cost and donated value:	
Building	$ 4,242,346
Land improvements	203,841
Building improvements	418,412
Computer equipment and software	443,299
National website	120,715
Furniture, fixtures and equipment	171,450
Bus shelter	6,500
Total cost and donated value	5,606,563
Accumulated depreciation	(2,854,178)
Net property and equipment	$ 2,752,385

Depreciation expense charged to operations was $200,048 for the year ended June 30, 2018.

(4) Line of credit

During the year ended June 30, 2012, the Foundation entered into a revolving line of credit agreement with a bank with available borrowings of up to $675,000, due on demand and collateralized by certain investment accounts. In May of 2017, the Foundation refinanced the revolving line of credit agreement with a bank with available borrowings of up to $675,000, maturing in August 2021 and secured by a deed of trust. Interest accrues on borrowings at the one month LIBOR rate plus 2.750% (4.84% at June 30, 2018). There was no outstanding balance on the line of credit as of June 30, 2018.

(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.

Annual maturities under the loan agreement at June 30, 2018 are as follows:

Years Ending June 30,	
2019	$ 52,364
2020	53,951
2021	56,261
2022	58,670
2023	61,183
Thereafter	1,127,599
Total future maturities	1,410,028
Less unamortized deferred financing costs	(8,551)
Total note payable	$ 1,401,477

(6) Temporarily restricted net assets

Temporarily restricted net assets consist of:

Purpose restrictions:	
Endowment fund investment income	$ 55,164
Scholarships	20,974
AZ First Advised and other grants	162,504
Total temporary restricted net assets	$ 238,642

Satisfaction of purpose restrictions:	
AZ First Advised	$ 24,828
Experience Matters Fellowship	20,833
Total releases of temporarily restricted funds	$ 45,661

(7) Endowment

The Foundation's endowment consists entirely of a donor-restricted fund to be held in perpetuity. Earnings on the endowment are unrestricted 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 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.

(7) Endowment (continued)

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (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 in permanently restricted net assets is classified as temporarily restricted net assets 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.

The changes in endowment net assets for the year ended June 30, 2018 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 39,130	$ 250,000	$ 289,130
Investment return:				
Interest and dividend income	-	10,401	-	10,401
Net appreciation	-	5,633	-	5,633
Endowment net assets, end of year	$ -	$ 55,164	$ 250,000	$ 305,164

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, 2018.

(8) 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, 2018:

	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income mutual funds				
Multisector bond	$ 230,308	$ 230,308	$ -	$ -
Intermediate term bond	304,283	304,283	-	-
Short term bond	105,896	105,896		
Large blend	156,184	156,184	-	-
Other	70,803	70,803	-	-
Total fixed income mutual funds	867,474	867,474	-	-
Equity mutual funds				
Large blend	207,624	207,624	-	-
Other	89,141	89,141	-	-
Total equity mutual funds	296,765	296,765	-	-
Total assets	$ 1,164,239	$ 1,164,239	$ -	$ -

In accordance with ASU 2015-07, the investments in ACF of $2,194,003 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, 2018.

(9) Commitments

The Foundation leases a copy machine under a five year agreement expiring in July 2023. Future minimum rental payments under the noncancelable operating leases are as follows:

Years Ending June 30,	
2019	$ 7,890
2020	7,890
2021	4,197
2022	504
2023	13
Total minimum future rental payments	$ 20,494

Total rent expense under the operating leases was $11,003 for the year ended June 30, 2018.

(9) Commitments (continued)

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.

(10) 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 2018, the Foundation made matching contributions of approximately $26,600 which are included in employee benefits in the accompanying statement of functional expenses.

(11) 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. As of June 30, 2018, the amount maintained for the Reserve is $529,979.