FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2016

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FINANCIAL STATEMENTS

Year Ended June 30, 2016

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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, 2016, 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, 2016, 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.

November 11, 2016

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2016

A S S E T S

CURRENT ASSETS		
Cash and cash equivalents	$	811,542
Pledges receivable (Note 1)		51,720
Prepaid expenses and other current assets		24,014
TOTAL CURRENT ASSETS		887,276
CASH AND OTHER ASSETS RESTRICTED TO INVESTMENT IN PROPERTY AND EQUIPMENT		42,085
INVESTMENTS (Note 2)		2,922,647
PROPERTY AND EQUIPMENT, net (Note 3)		3,048,839
DEFERRED FINANCING COSTS, net (Note 1)		6,938
OTHER ASSETS		14,132
TOTAL ASSETS	$	6,921,917

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	$	345,886
Deferred revenue		56,208
Deferred rent		500
Current maturities of note payable (Note 5)		67,338
TOTAL CURRENT LIABILITIES		469,932
NOTE PAYABLE, net of current maturities (Note 5)		1,449,008
TOTAL LIABILITIES		1,918,940
NET ASSETS		
Unrestricted		
Board designated		547,167
Undesignated		4,065,927
Total unrestricted		4,613,094
Temporarily restricted (Note 6)		139,883
Permanently restricted (Note 7)		250,000
TOTAL NET ASSETS		5,002,977
TOTAL LIABILITIES AND NET ASSETS	$	6,921,917

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 1,005,208	$ 125,706	$ -	$ 1,130,914
In-kind contributions	13,815	-	-	13,815
Investment loss	(71,884)	(445)	-	(72,329)
Other income	13,914	-	-	13,914
Net assets released from restrictions	5,921	(5,921)	-	-
	966,974	119,340	-	1,086,314
Special events:				
Special event revenue	1,872,813	-	-	1,872,813
Less costs of direct donor benefits	(192,998)	-	-	(192,998)
Gross profit on special events	1,679,815	-	-	1,679,815
TOTAL SUPPORT AND REVENUE	2,646,789	119,340	-	2,766,129
EXPENSES				
Program services	2,097,970	-	-	2,097,970
General and administrative	107,330	-	-	107,330
Fundraising	398,465	-	-	398,465
TOTAL EXPENSES	2,603,765	-	-	2,603,765
CHANGE IN NET ASSETS	43,024	119,340	-	162,364
NET ASSETS, BEGINNING OF YEAR	4,570,070	20,543	250,000	4,840,613
NET ASSETS, END OF YEAR	$ 4,613,094	$ 139,883	$ 250,000	$ 5,002,977

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries and personnel costs	$ 1,111,563	$ 61,005	$ 114,802	$ 1,287,370
Special event expenses	-	26,532	238,787	265,319
Individual assistance	168,736	-	-	168,736
Employee benefits	104,474	3,400	3,863	111,737
Payroll taxes	95,854	4,767	9,667	110,288
Interest	82,521	1,210	2,679	86,410
Occupancy costs	81,067	1,071	2,372	84,510
Technology and client software	41,992	663	995	43,650
Supplies	36,533	134	620	37,287
Equipment maintenance	32,032	470	1,040	33,542
National website maintenance	40,557	242	484	41,283
Professional fees	18,060	645	2,795	21,500
Payroll management fee	17,766	949	1,835	20,550
401(k) contributions	15,968	1,611	2,054	19,633
In-kind exenses	8,333	556	2,426	11,315
Contracted outside services	16,290	286	2,286	18,862
Communication costs	14,683	160	1,117	15,960
Insurance	13,932	227	748	14,907
Program related events	12,589	-	-	12,589
Merchant fees and bank charges	9,451	-	184	9,635
Leased equipment	7,075	111	222	7,408
Marketing and public relations	5,270	351	1,405	7,026
Staff development and training	5,163	48	289	5,500
Printing	3,256	419	1,557	5,232
Board development and operations costs	2,780	99	430	3,309
Dues and membership fees	3,101	106	37	3,244
Postage and delivery	1,157	86	684	1,927
Volunteer and mentor costs	1,567	1	1	1,569
Cultivation and community outreach	490	45	356	891
Total expenses before depreciation	1,952,260	105,194	393,735	2,451,189
Depreciation	145,710	2,136	4,730	152,576
TOTAL EXPENSES	$ 2,097,970	$ 107,330	$ 398,465	$ 2,603,765

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 162,364
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	152,576
Contributed property and equipment included in contributions	(2,500)
Amortization of deferred financing costs	2,868
Contributions restricted for capital improvements	(42,085)
Net realized/unrealized investment losses	117,115
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Pledges receivable	(51,720)
Prepaid expenses and other current assets	36,084
Increase (decrease) in:	
Accounts payable and accrued expenses	(2,708)
Deferred rent	(625)
Deferred revenue	26,108
Net cash provided by operating activities	397,477
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(107,026)
Change in cash and other assets restricted to investment in property and equipment	(42,085)
Purchases of investments	(459,947)
Proceeds from sale of investments	490,190
Net cash used in investing activities	(118,868)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from contributions restricted for captial improvements	42,085
Payments on note payable	(56,811)
Net cash used in financing activities	(14,726)
NET CHANGE IN CASH AND CASH EQUIVALENTS	263,883
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	547,659
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 811,542

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2016

(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 21,000 visits during the year ended June 30, 2016. 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.

Two donors comprised approximately 45% of the contribution revenue for the year ended June 30, 2016. Total support from Board members was approximately $512,000 for 2016.

(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, 2016, 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.

One donor, a member of the board, comprised 79% of the promises to give for the year ended June 30, 2016. Total promises to give from board members were $40,620 at June 30, 2016.

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:

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

Contribution	Used For	Amount
Other	Special Events	$ 8,516
Program supplies	Resource Center	5,299
		$ 13,815

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") long-term investment pool at fair value. The Foundation determines the fair value of its investments held in the ACF long-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, fixed income, hedge funds and private equity 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 Measurements*, 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, 2016.

Deferred rent – The Foundation accounts for its copier lease in accordance with FASB ASC 840, *Leases*. Under FASB ASC 840, the Foundation is required to amortize the lease commitments on a straight-line basis over the life of the lease. The cumulative difference between rent paid and rent charged to expense is recorded as deferred rent on the statement of financial position.

Deferred financing and bond issuance costs – Certain costs incurred in connection with the note payable (Note 5) have been deferred and are being amortized to operations using the straight-line method (which approximates the effective interest method) over the life of the loan. The Foundation capitalized $20,084 of financing costs in connection with the financing activities described in Note 5. Accumulated amortization on the deferred financing costs was $13,146 at June 30, 2016. Amortization of deferred financing costs was $2,868 for the year ended June 30, 2016 and is included in interest in the accompanying statement of functional expenses.

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 $3,500 for the year ended June 30, 2016.

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 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2016 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 April 2015, the FASB issued ASU No. 2015-03, *Interest – Imputation of Interest (Subtopic 835*-30). ASU 2015-03 requires that debt issuance costs be presented in the statement of financial position as a direct deduction from the carrying amount of debt liability, consistent with debt discounts or premiums. An entity should apply this new guidance on a retrospective basis, wherein the statement of financial position of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The recognition guidance for debt issuance costs would not be affected by this ASU. ASU 2015-03 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim period within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The Foundation does not anticipate that the adoption of ASU 2015-03 will have a significant impact on its overall financial position or operations.

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

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 is currently evaluating the effect that the adoption of this standard will have 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 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 November 11, 2016, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:

Cash	$ 14,072
Fixed income mutual funds	
Multisector bond	239,337
Intermediate term bond	203,679
Large blend	54,964
Other	157,685
Total fixed income mutual funds	655,665
Equity mutual funds	
Large blend	144,829
Other	60,399
Total equity mutual funds	205,228
Money market funds	175,382
ACF long-term investment pool	1,872,300
Total investments	$ 2,922,647

Investment income (loss) consists of:

Interest and dividend income	$ 44,786
Unrealized losses on investments	(173,285)
Realized gains on investments	56,170
Total investment income (loss)	$ (72,329)

(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 $23,429 for the year ended June 30, 2016 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	$ 4,221,303
Land improvements	203,841
Building improvements	350,631
Computer equipment and software	401,178
National website	103,528
Furniture, fixtures and equipment	232,360
Bus shelter	6,500
Total cost and donated value	5,519,341
Accumulated depreciation	(2,470,502)
Net property and equipment	$ 3,048,839

Depreciation expense charged to operations was $152,576 for the year ended June 30, 2016.

(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. Interest accrues on borrowings at the one month LIBOR rate plus 3.125% (3.595% at June 30, 2016). There was no outstanding balance on the line of credit as of June 30, 2016. New advances on the line of credit in excess of $100,000 are subject to approval by the bank.

(5) Note payable

On December 1, 2011, the Foundation entered into an agreement to repay its Industrial Development Authority ("IDA") of the City of Phoenix, Arizona variable rate revenue bonds. The repayment was partially funded through the proceeds from a bank loan for $1,750,000.

(5) Note payable (continued)

The $1,750,000 loan agreement bore interest at 5.65% and was scheduled to mature in December 2018. Monthly principal and interest payments of $12,269 were due for the first 83 months of the loan, after which a balloon payment of all unpaid principal and interest is due. This loan agreement was modified on June 3, 2016. Under the modified terms, the loan agreement bears interest at the one month LIBOR rate plus 2.50% (2.97% at June 30, 2016). Monthly principal and interest payments of $9,340 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 financial covenants. Additionally, the Foundation may not take on additional debt without the consent of the lender.

Annual maturities under the loan agreement at June 30, 2016 are as follows:

Years Ending June 30,		
2017	$	67,338
2018		69,394
2019		1,379,614
Total	$	1,516,346

(6) Temporarily restricted net assets

Temporarily restricted net assets consist of:

Purpose restrictions:		
Endowment fund investment income	$	14,177
Scholarships		45,706
Property and equipment		42,085
Facilities improvements		37,915
Total temporary restricted net assets	$	139,883

Net assets released from donor restrictions for the year ended June 30, 2016 consist entirely of scholarships.

In 2016, the Foundation received a $280,000 contribution from a donor to fund certain property and equipment additions as well as certain facilities improvements. Of this amount $200,000 was spent in fiscal year 2016 for its intended purpose. As $200,000 of the restrictions were fulfilled in the same period in which the contribution is received, this amount is shown as additions to unrestricted contributions in the accompanying statement of activities. The remaining $80,000 is to be used to fund certain roof repairs as well as certain property and equipment additions. At June 30, 2016, $42,085 has been classified as cash and other assets restricted to investment in property and equipment in the accompanying statement of financial position and consists of cash of $21,043 and a deposit on certain assets totaling $21,042.

(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.

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, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 14,622	$ 250,000	$ 264,622
Investment return:				
Investment income	-	7,953	-	7,953
Net depreciation	-	(8,398)	-	(8,398)
Endowment net assets, end of year	$ -	$ 14,177	$ 250,000	$ 264,177

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, 2016.

(8) Fair value measurements

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, 2016:

	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income mutual funds				
Multisector bond	$ 239,337	$ 239,337	$ -	$ -
Intermediate term bond	203,679	203,679	-	-
Large blend	54,964	54,964	-	-
Other	157,685	157,685	-	-
Total fixed income mutual funds	655,665	655,665	-	-
Equity mutual funds				
Large blend	144,829	144,829	-	-
Other	60,399	60,399	-	-
Total equity mutual funds	205,228	205,228	-	-
Money market funds	175,382	175,382	-	-
Total assets	$ 1,036,275	$ 1,036,275	$ -	$ -

In accordance with ASU 2015-07, the investments in ACF of $1,872,300 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, fixed income, hedge funds and private equity investments. 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, 2016.

(9) Commitments

The Foundation leases a copy machine under a five year agreement expiring in December 2020. Future minimum rental payments under the noncancelable operating leases are as follows:

Years Ending June 30,	
2017	$ 7,386
2018	7,386
2019	7,386
2020	7,386
2021	3,385
Total minimum future rental payments	$ 32,929

Total rent expense under the operating leases was $6,949 for the year ended June 30, 2016.

(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) Major vendors

During the 2016 fiscal year, the Foundation made significant purchases from two vendors. The vendors accounted for 23% of purchases during the year ended June 30, 2016.

(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 2016, the Foundation made matching contributions of approximately $20,100 which are included in employee benefits in the accompanying statement of functional expenses.