FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2015

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FINANCIAL STATEMENTS

Year Ended June 30, 2015

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

FRESH START WOMEN'S FOUNDATION

We have audited the financial statements of ***Fresh Start Women's Foundation***, which comprise the statement of financial position as of June 30, 2015, 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 for the Financial Statements

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, 2015, 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.

Phoenix, Arizona
November 10, 2015

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2015

A S S E T S

CURRENT ASSETS	
Cash and cash equivalents	$ 547,659
Prepaid expenses and other current assets	60,098
TOTAL CURRENT ASSETS	607,757
INVESTMENTS (Note 2)	3,070,005
PROPERTY AND EQUIPMENT, net (Note 3)	2,921,889
DEFERRED FINANCING COSTS, net (Note 1)	9,806
OTHER ASSETS	14,132
TOTAL ASSETS	$ 6,623,589

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	178,594
Deferred revenue	30,100
Deferred rent	500
Current maturities of note payable (Note 5)	59,213
TOTAL CURRENT LIABILITIES	268,407
DEFERRED RENT, net of current portion	625
NOTE PAYABLE, net of current maturities (Note 5)	1,513,944
TOTAL LIABILITIES	1,782,976
NET ASSETS	
Unrestricted	
Board designated	600,000
Undesignated	3,970,070
Total unrestricted	4,570,070
Temporarily restricted (Note 6)	20,543
Permanently restricted (Note 7)	250,000
TOTAL NET ASSETS	4,840,613
TOTAL LIABILITIES AND NET ASSETS	$ 6,623,589

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 1,348,924	$ 5,921	$ -	$ 1,354,845
In-kind contributions	40,589	-	-	40,589
Investment income	61,000	1,211	-	62,211
Net assets released from restrictions	275,204	(275,204)	-	-
	1,725,717	(268,072)	-	1,457,645
Special events:				
Special event revenue	1,666,224	-	-	1,666,224
Less costs of direct donor benefits	(202,262)	-	-	(202,262)
Gross profit on special events	1,463,962	-	-	1,463,962
TOTAL SUPPORT AND REVENUE	3,189,679	(268,072)	-	2,921,607
EXPENSES				
Program services	2,009,736	-	-	2,009,736
General and administrative	98,608	-	-	98,608
Fundraising	325,233	-	-	325,233
TOTAL EXPENSES	2,433,577	-	-	2,433,577
CHANGE IN NET ASSETS BEFORE INCOME FROM DISCONTINUED OPERATIONS, net	756,102	(268,072)	-	488,030
INCOME FROM DISCONTINUED OPERATIONS, net	19,295	-	-	19,295
CHANGE IN NET ASSETS	775,397	(268,072)	-	507,325
NET ASSETS, BEGINNING OF YEAR	3,794,673	288,615	250,000	4,333,288
NET ASSETS, END OF YEAR	$ 4,570,070	$ 20,543	$ 250,000	$ 4,840,613

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2015

	Program Services	Supporting Services: General and Administrative	Supporting Services: Fundraising	Total
Salaries and personnel costs	$ 1,007,402	$ 56,584	$ 80,269	$ 1,144,255
Occupancy costs	70,772	1,037	2,297	74,106
Event expenses	-	21,479	193,314	214,793
In-kind expenses	33,695	689	6,205	40,589
Employee benefits	100,655	3,968	3,579	108,202
Interest and bond maintenance costs	93,665	1,373	3,041	98,079
Individual assistance	132,002	-	-	132,002
Payroll taxes	85,707	4,427	6,632	96,766
Restricted grant expense	764	-	-	764
Supplies	39,641	127	771	40,539
Contracted outside services	90,812	1,160	9,280	101,252
Technology	11,301	28	43	11,372
National website development, content and maintenance	28,998	238	476	29,712
Professional fees	17,472	624	2,704	20,800
Payroll management fee	15,578	856	1,263	17,697
401(k) contributions	12,663	1,484	1,236	15,383
Equipment maintenance	35,474	492	1,090	37,056
Insurance	12,294	212	728	13,234
Merchant fees and bank charges	6,647	65	389	7,101
Communication costs	11,308	123	860	12,291
Marketing and public relations	6,373	406	1,624	8,403
Program related events	17,402	-	-	17,402
Board development and operations	3,841	137	595	4,573
Staff development and retention	9,115	198	444	9,757
Leased equipment maintenance	6,478	102	203	6,783
Recognition events and community outreach	2,209	201	1,607	4,017
Dues and membership fees	2,751	208	665	3,624
Printing	1,208	78	320	1,606
Postage and delivery	1,149	83	663	1,895
Volunteer and mentor costs	423	2	3	428
Total expenses before depreciation	1,857,799	96,381	320,301	2,274,481
Depreciation	151,937	2,227	4,932	159,096
TOTAL EXPENSES	$ 2,009,736	$ 98,608	$ 325,233	$ 2,433,577

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	507,325
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		159,096
Amortization of deferred financing costs		2,868
Net realized/unrealized investment gains		(20,433)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable		2,300
Prepaid expenses and other current assets		(40,786)
Increase (decrease) in:		
Accounts payable and accrued expenses		35,164
Deferred rent		(500)
Deferred revenue		(11,104)
Net cash provided by operating activities		633,930
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(58,942)
Purchases of investments		(725,138)
Proceeds from sale of investments		758,085
Net cash used in investing activities		(25,995)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draws on line of credit		3,593
Payments on line of credit		(431,111)
Payments on notes payable		(55,370)
Net cash used in financing activities		(482,888)
NET CHANGE IN CASH AND CASH EQUIVALENTS		125,047
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		422,612
CASH AND CASH EQUIVALENTS, END OF YEAR	$	547,659
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$	95,350
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING ACTIVITIES		
Release of restrictions on Assets Whose Use is Limited	$	479,678

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 23,000 visits during the year ended June 30, 2015. 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 55% of the contribution revenue for the year ended June 30, 2015. Total support from Board members was approximately $340,000 for 2015.

(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.

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
Gifts	Special Events	$ 6,894
Program supplies	Resource Center	33,695
		$ 40,589

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.

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

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. 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

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

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, 2015.

Deferred rent – The Foundation accounts for its thrift store and copier leases 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 lives of the leases. 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 7 years, 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 $10,278 at June 30, 2015. Amortization of deferred financing costs was $2,868 for the year ended June 30, 2015 and is included in interest and bond maintenance costs 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 overall support and direction to the Foundation.

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was approximately $1,200 for the year ended June 30, 2015.

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 (UBTI) 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.

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

The Foundation's federal Return of Organizations Exempt from Income Tax (Form 990) for fiscal 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2015 informational return had not yet been filed.

Recent accounting pronouncement – In May 2015, the FASB issued ASU No. 2015-07, *Fair Value Measurement (Topic 820) Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which amends FASB Topic 820 to remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. ASU 2015-07 is effective for public business entities for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. A reporting entity should apply the amendments retrospectively to all periods presented. The retrospective approach requires that an investment for which fair value is measured using the net asset value per share practical expedient be removed from the fair value hierarchy in all periods presented in an entity's financial statements. Earlier application is permitted. The Foundation has elected to early adopt this standard as of June 30, 2015, which is the earliest period presented within these financial statements. Accordingly, the fair value hierarchy disclosure within Note 8 excludes investments reported at NAV as of June 30, 2015.

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 FASB 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.

Subsequent events – The Foundation has evaluated subsequent events through November 10, 2015 which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:

Cash	$ 71,048
Fixed income mutual funds	
Multisector bond	284,486
Intermediate term bond	195,049
Large blend	165,312
Other	26,769
Total fixed income mutual funds	671,616
Equity mutual funds	
Large blend	138,381
Other	63,604
Total equity mutual funds	201,985
Money market funds	172,240
ACF long-term investment pool	1,953,116
Total investments	$ 3,070,005

Investment income consists of:

Interest and dividend income	$ 41,778
Unrealized losses on investments	(99,863)
Realized gains on investments	120,296
Total investment income	$ 62,211

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 amounts held by ACF at June 30, 2015 total $1,953,116. 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 $21,963 for the year ended June 30, 2015 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	$ 4,218,296
Land improvements	203,841
Building improvements	351,354
Computer equipment and software	401,178
National website	61,945
Furniture, fixtures and equipment	269,204
Bus shelter	6,500
Total cost and donated value	5,512,318
Accumulated depreciation	(2,590,429)
Net property and equipment	$ 2,921,889

Depreciation expense charged to operations was $159,096 for the year ended June 30, 2015.

(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 is collateralized by certain investment accounts. Interest accrues on borrowings at the one month LIBOR rate plus 3.125% (3.31% at June 30, 2015). There was no outstanding balance on the line of credit as of June 30, 2015. 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.

The $1,750,000 loan agreement bears interest at 5.65% and matures in December 2018. Monthly principal and interest payments of $12,269 are due for the first 83 months of the loan, after which a balloon payment of all unpaid principal and interest is due. 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, 2015 are as follows:

Years Ending June 30,	
2016	$ 59,213
2017	62,648
2018	66,282
2019	1,385,014
Total	$ 1,573,157

(6) Temporarily restricted net assets

Temporarily restricted net assets consist of:

Purpose restrictions:		
Endowment fund investment income	$	14,622
Career Services		5,921
Total temporary restricted net assets	$	20,543

Net assets released from donor restrictions by incurring expense satisfying the restricted purpose or by occurrence of other events specified by donors were as follows for the year ended June 30, 2015:

Satisfaction of purpose restrictions:		
Appropriation of endowment fund investment income	$	144,338
E. Jean Goulet Scholarships		111,509
Adult Literacy		12,057
National Website		5,000
Total satisfaction of purpose restrictions		272,904
Expiration of time restrictions		2,300
Total releases of temporarily restricted funds	$	275,204

(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.

(7) Endowment (continued)

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, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 157,749	$ 250,000	$ 407,749
Investment Return:				
Investment income	-	11,919	-	11,919
Net depreciation	-	(10,708)	-	(10,708)
Appropriation of endowment assets for expenditure	-	(144,338)	-	(144,338)
Endowment net assets, end of year	$ -	$ 14,622	$ 250,000	$ 264,622

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, 2015.

(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 NAV as a practical expedient, by the above FASB ASC 820 categories as of June 30, 2015:

	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income mutual funds				
Multisector bond	$ 284,486	$ 284,486	$ -	$ -
Intermediate term bond	195,049	195,049	-	-
Large blend	165,312	165,312	-	-
Other	26,769	26,769	-	-
Total fixed income mutual funds	671,616	671,616	-	-
Equity mutual funds				
Large blend	138,381	138,381	-	-
Other	63,604	63,604	-	-
Total equity mutual funds	201,985	201,985	-	-
Money market funds	172,240	172,240	-	-
Total assets	$ 1,045,841	$ 1,045,841	$ -	$ -

(8) Fair value measurements (continued)

In accordance with ASU 2015-07, the investments in ACF of $1,953,116 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.

In accordance with FASB ASC 820, the Foundation is required to disclose the nature and risks of the investments reported at NAV. The Foundation has elected to early adopt the provisions of FASB issued ASU No. 2015-07. As a result of this election, investments reported at NAV as a practical expedient are excluded from the fair value hierarchy. 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, 2015.

(9) Commitments

The Foundation entered into an operating lease agreement for retail space with a term ending in November 2016. The retail space was utilized for the Foundation's thrift store operations. Effective November 15, 2014, the Foundation amended the lease agreement to convert the lease to a strict month to month basis through November 2016, with both the lessor and lessee having the right to terminate the lease by providing 60 days prior written notice. The Foundation gave 60 day notice May 20, 2015, terminating the lease effective July 19, 2015.

Additionally, the Foundation leases a copy machine under a five year agreement expiring in September 2017. Future minimum rental payments under the noncancelable operating leases are as follows:

Years Ending June 30,		
2016	$	10,140
2017		5,040
2018		840
Total minimum future rental payments	$	16,020

Total rent expense under the operating leases was $75,867 for the year ended June 30, 2015.

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 2015 fiscal year, the Foundation made significant purchases from two vendors. The vendors accounted for 24% of purchases during the year ended June 30, 2015.

(11) Thrift store revenues

Effective June 27, 2015, the Foundation terminated operations of their thrift store. During the year, the Foundation received donations of merchandise supplies and sold these items to the general public. The donated items were recorded in the statement of activities at their fair market value. The fair market value was based on the selling price for items. Thrift store revenues are included in net income from discontinued operations and consisted of the following for the year ended June 30, 2015:

Value of contributed items	$ 262,434
Sales proceeds from contributed items	262,434
Cost of materials	(262,434)
Thrift store revenues, net	$ 262,434

(12) 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 2015, the Foundation made matching contributions of approximately $15,400 which are included in employee benefits in the accompanying statement of functional expenses.

(13) Discontinued thrift store operations

The Foundation discontinued its thrift store operations in June 2015. In connection with the closure of the thrift store, the remaining inventory for the store was donated to other charitable organizations. The lease agreement for the thrift store continued through July 19, 2015. This lease is described in further detail in Note 9.

Income from discontinued operations included in the accompany statement of activities is comprised of the following amounts:

Thrift store revenues, net	$ 262,434
Delivery costs	(4,198)
Salaries	(79,800)
Occupancy	(139,393)
Other	(19,748)
Income from discontinued thrift store operations	$ 19,295