

FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2020

FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2020

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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, 2020, and the related statements of activities and change in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Fresh Start Women's Foundation** as of June 30, 2020, 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.

September 16, 2020

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2020

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	\$ 1,619,314
Pledges receivable	60,922
Prepaid expenses and other current assets	18,112
TOTAL CURRENT ASSETS	<u>1,698,348</u>
INVESTMENTS (Note 2)	3,682,836
PROPERTY AND EQUIPMENT, net (Note 3)	2,427,735
OTHER ASSETS	<u>14,132</u>
TOTAL ASSETS	<u>\$ 7,823,051</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	\$ 90,125
Deferred revenue	436,400
Current maturities of note payable (Note 5)	50,812
TOTAL CURRENT LIABILITIES	<u>577,337</u>
LONG TERM LIABILITIES, net of current maturities (Note 5)	<u>1,255,347</u>
TOTAL LIABILITIES	<u>1,832,684</u>
NET ASSETS	
Net assets without donor restrictions	
Board designated (Note 6)	3,336,799
Undesignated	2,037,768
Total net assets without donor restrictions	<u>5,374,567</u>
Net assets with donor restrictions (Note 7)	<u>615,800</u>
TOTAL NET ASSETS	<u>5,990,367</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,823,051</u>

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS

Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	\$ 2,058,665	\$ 269,763	\$ 2,328,428
In-kind contributions	121,559	-	121,559
Investment income	129,278	22,149	151,427
Other income	60,020	-	60,020
Net assets released from restrictions	101,726	(101,726)	-
	<u>2,471,248</u>	<u>190,186</u>	<u>2,661,434</u>
Special events:			
Special event revenue	712,797	-	712,797
Less costs of direct donor benefits	(88,444)	-	(88,444)
Gross profit on special events	<u>624,353</u>	<u>-</u>	<u>624,353</u>
TOTAL SUPPORT AND REVENUE	<u>3,095,601</u>	<u>190,186</u>	<u>3,285,787</u>
 EXPENSES			
Salaries & personnel costs	1,777,215	-	1,777,215
Contracted outside services	253,160	-	253,160
Employee related costs	29,726	-	29,726
Marketing & public relations	128,433	-	128,433
Special event costs	150,575	-	150,575
Scholarships	79,624	-	79,624
Supplies	30,078	-	30,078
Software & technology	96,105	-	96,105
Occupancy costs	139,716	-	139,716
Professional fees	28,299	-	28,299
Interest expense	61,917	-	61,917
Other	7,540	-	7,540
Depreciation	175,127	-	175,127
TOTAL EXPENSES	<u>2,957,515</u>	<u>-</u>	<u>2,957,515</u>
CHANGE IN NET ASSETS	138,086	190,186	328,272
NET ASSETS, BEGINNING OF YEAR	<u>5,236,481</u>	<u>425,614</u>	<u>5,662,095</u>
NET ASSETS, END OF YEAR	<u>\$ 5,374,567</u>	<u>\$ 615,800</u>	<u>\$ 5,990,367</u>

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

	Program Services						Total Program	Supporting Services		
	Career Service/ Upward Mobility	Family Law	Computer Services	Social Work	Other	Support		General and Administrative	Fundraising	Total
	Salaries & personnel costs	\$ 66,838	\$ 144,519	\$ 86,660	\$ 211,546	\$ 245,095		\$ 554,888	\$ 1,309,546	\$ 171,722
Contracted outside services	97,374	27,370	1,247	2,467	17,687	22,218	168,363	3,592	81,205	253,160
Employee related costs	1,014	1,642	1,499	2,397	7,724	10,316	24,592	2,359	2,775	29,726
Marketing & public relations	101	148	64	137	2,713	102,665	105,828	86	22,519	128,433
Special event costs	-	-	-	-	-	-	-	-	239,019	239,019
Scholarships	62,020	1,098	1,760	1,290	12,055	1,401	79,624	-	-	79,624
Supplies	2,307	1,423	2,326	2,116	3,893	10,421	22,486	181	7,411	30,078
Software & technology	8,736	3,584	7,058	7,851	13,788	39,170	80,187	1,032	14,886	96,105
Occupancy costs	27,076	11,254	18,096	24,873	37,577	17,055	135,931	1,623	2,162	139,716
Professional fees	2,322	3,400	1,461	3,139	4,516	7,114	21,952	1,978	4,369	28,299
Interest expense	12,097	4,661	8,085	11,113	16,788	7,485	60,229	725	963	61,917
Other	679	262	454	624	942	420	3,381	355	3,804	7,540
Total expenses before depreciation	280,564	199,361	128,710	267,553	362,778	773,153	2,012,119	183,653	675,060	2,870,832
Depreciation	34,220	13,186	22,871	31,436	47,492	21,174	170,379	2,016	2,732	175,127
TOTAL EXPENSES	\$ 314,784	\$ 212,547	\$ 151,581	\$ 298,989	\$ 410,270	\$ 794,327	\$ 2,182,498	\$ 185,669	\$ 677,792	\$ 3,045,959

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 328,272
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	175,127
Amortization of deferred financing costs	912
Net realized/unrealized investment gains	(92,722)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Pledges receivable	(8,508)
Prepaid expenses and other current assets	64,577
Increase (decrease) in:	
Accounts payable and accrued expenses	(43,340)
Deferred revenue	295,749
Net cash provided by operating activities	<u>720,067</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	(20,741)
Purchases of investments	(471,353)
Proceeds from sale of investments	<u>391,284</u>
Net cash used in investing activities	<u>(100,810)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on note payable	<u>(45,234)</u>
Net cash used in financing activities	<u>(45,234)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	574,023
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,045,291</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,619,314</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for interest	<u>\$ 47,597</u>

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(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 provided approximately 26,626 services during the year ended June 30, 2020. In addition, the Center is privately funded.

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

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

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

Net assets without donor restrictions

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

Net assets with donor restrictions

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

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

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

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Contributions – The Foundation adopted FASB Accounting Standards Update (“ASU”) No. 2018-08, *Not-for-Profit Entities (Topic 958)* effective July 1, 2019 on a modified prospective basis. ASU 2018-08 clarifies the characterization of grants as either reciprocal transactions (exchanges) or nonreciprocal transactions (contributions). ASU 2018-08 also provided additional guidance to distinguish between conditional and unconditional contributions. In accordance with ASU 2018-08, the Foundation evaluates grants and contributions for evidence of the transfer of commensurate value from the Foundation to the resource provider. The transfer of commensurate value from the Foundation to the resource provider may include instances when a) the goods or services provided by the Foundation directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Foundation. When such factors exist, the Foundation accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Foundation accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Foundation to the resource provider, the Foundation evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Foundation or the right of return from the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Foundation and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Foundation to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

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

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

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

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, 2020, 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:

<u>Contribution</u>	<u>Used For</u>	<u>Amount</u>
Contracted outside services	Family Law	\$ 24,000
Contracted outside services	Career Service/Upward Mobility	92,001
Contracted outside services	Other program support	5,558
		<u>\$ 121,559</u>

Numerous volunteers have donated significant amounts of time to perform a variety of tasks that assist the Foundation with specific programs, campaign solicitations, and various committee assignments. This support has not been recorded as a component of contributions as it does not meet the recognition criteria under FASB ASC 958-605. Although no amounts have been reflected in the financial statements, management estimates the fair value of those services to be approximately \$325,000 for the year ended June 30, 2020.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Investments and fair value measurements – The Foundation accounts for its investments in equity securities in accordance with FASB ASC 958-321, *Not-for-Profit Entities – Investments – Equity Securities* and all debt securities in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt Securities*. Under FASB ASC 958-320 and FASB ASC 958-321, 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 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, *Not-for-Profit Entities – Investments – Other*, 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.

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

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

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Impairment of long-lived assets – The Foundation accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment charges were recorded for the year ended June 30, 2020.

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

The expenses that are allocated include the following:

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

Advertising – Advertising costs are charged to operations when incurred. Advertising expense charged to operations was approximately \$95,300 for the year ended June 30, 2020.

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.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

The Foundation's federal Return of Organizations Exempt from Income Tax (Form 990) for fiscal 2017, 2018 and 2019 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2020 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 supersedes 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. The 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, unless the entities adopt the provisions of ASU No. 2020-05 as described below. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2017. Transition to the new guidance may be done using either a full or modified retrospective method. The Foundation adopted this update for the year ended June 30, 2020 using the modified retrospective method. This adoption had no impact on the year ended June 30, 2020.

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 unless the entities adopt the provisions of ASU No. 2020-05 as described below. Early adoption is permitted. The Foundation does not expect the adoption of this standard to have a material impact on the financial statements.

In June 2020, the FASB issued FASB ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606)* and *Leases (Topic 842)*, which allows certain entities to elect to defer the effective date of the provisions of FASB ASU No. 2014-09 and ASU No. 2015-14 and ASU No. 2016-02. These entities may elect to adopt the guidance for revenue for annual reporting periods beginning after December 15, 2019. Additionally, under the amendments, entities may elect to adopt the leases guidance for fiscal years beginning after December 15, 2021.

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 adopted this update for the year ended June 30, 2020 using the modified prospective approach. There was no impact to the Foundation's financial statements as a result of the adoption.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

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

Subsequent events – The Foundation has evaluated subsequent events through September 16, 2020, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:

Cash	\$ 50,292
Fixed income mutual funds	
Intermediate term bond	119,209
Short term bond	198,064
Other	430,139
Total fixed income mutual funds	<u>747,412</u>
Equity mutual funds	
Large blend	93,245
Large growth	191,899
Other	174,495
Total equity mutual funds	<u>459,639</u>
ACF intermediate investment pool	<u>2,425,493</u>
Total investments	<u>\$ 3,682,836</u>

Investment income consists of:

Interest and dividend income	\$ 89,976
Investment fees	(31,271)
Unrealized gains on investments	28,898
Realized gains on investments	63,824
Total investment income	<u>\$ 151,427</u>

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

Investments are held to provide secure long-term funding for the mission of the Foundation, therefore investments are classified as long-term assets in the accompanying statement of financial position.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(3) Property and equipment

Property and equipment consists of:

Cost and donated value:

Building	\$ 4,242,346
Land improvements	203,841
Building improvements	434,987
Computer equipment and software	198,149
National website	120,715
Furniture, fixtures and equipment	147,461
Bus shelter	<u>6,500</u>
Total cost and donated value	5,353,999
Accumulated depreciation	<u>(2,926,264)</u>
Net property and equipment	<u>\$ 2,427,735</u>

Depreciation expense charged to operations was \$175,127 for the year ended June 30, 2020.

(4) Lines of credit

During the year ended June 30, 2012, the Foundation entered into a revolving line of credit agreement with Merrill Lynch with available borrowings of up to \$675,000, due on demand and collateralized by certain investment accounts. Amounts available to borrow is limited to collateral on hand. As of June 30, 2020, the amount of available borrowings was approximately \$205,000. Interest accrues on borrowings at the one month LIBOR rate plus 3.125% (3.285% at June 30, 2020). There is no specified maturity date of the arrangement.

In May of 2017, the Foundation opened an additional revolving line of credit agreement with Wells Fargo with available borrowings of up to \$675,000, maturing in June 2018. The Foundation is required to maintain a minimum liquid cash, cash equivalent, or investment balance of \$150,000. In July 2018, the line of credit was renewed through August 2021 and secured by a deed of trust. Interest accrues on borrowings at the one month LIBOR rate plus 2.750% (2.91% at June 30, 2020).

There was no outstanding balance on either line of credit as of June 30, 2020.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(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 agreements at June 30, 2020 are as follows:

<u>Years Ending June 30,</u>	
2021	\$ 50,812
2022	58,848
2023	61,404
2024	63,940
2025	66,847
Thereafter	<u>1,009,670</u>
Total future maturities	1,311,521
Less unamortized deferred financing costs	<u>(5,362)</u>
Total note payable	<u>\$ 1,306,159</u>

(6) Board designated net assets

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

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

As a secondary purpose, the Reserve may also generate investment income that can be used for operational purposes or reinvested in the Reserve. No amounts were spent during 2020. As of June 30, 2020, the amount maintained for the Reserve is \$911,306.

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

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(6) Board designated net assets (continued)

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

No amounts were spent during 2020. As of June 30, 2020, the amount maintained for the board designated quasi-endowment fund is \$2,425,493.

(7) Net assets with donor restrictions

Net assets with donor restrictions consist of:

Purpose restrictions:

Accumulated donor endowment fund earnings	\$ 96,037
Scholarships	70,286
Grants	<u>199,477</u>
Total purpose restrictions	365,800
Donor endowment funds restricted in perpetuity	<u>250,000</u>
Total net assets with donor restrictions	<u>\$ 615,800</u>

Satisfaction of purpose restrictions:

Grants	\$ 15,455
Scholarships	<u>86,271</u>
Total releases of net assets with donor restrictions	<u>\$ 101,726</u>

(8) Endowments

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

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

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

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(8) Endowments (continued)

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.

Endowment net asset compositions by type of fund as of June 30, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated quasi-endowment	\$ 2,425,493	\$ -	\$ 2,425,493
Donor restricted endowment held in perpetuity	-	250,000	250,000
Accumulated donor restricted endowment earnings	-	96,037	96,037
Endowment net assets, end of year	\$ 2,425,493	\$ 346,037	\$ 2,771,530

The changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 2,276,999	\$ 323,888	\$ 2,600,887
Investment return:			
Contributions	25,109	-	25,109
Interest and dividend income	14,035	14,386	28,421
Net appreciation	109,350	7,763	117,113
Appropriations for expenditure	-	-	-
Endowment net assets, end of year	\$ 2,425,493	\$ 346,037	\$ 2,771,530

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, 2020.

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NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(9) Conditional contribution

In April 2020, the Foundation received proceeds from a stimulus loan of \$355,200. The loan bears interest at 1% and matures 2 years after receipt of the proceeds in April 2022. Monthly principal and interest payments are due beginning six months after receipt of the proceeds. The loan contains forgiveness provisions based on the use of the proceeds for certain qualifying costs within a 24 week period from the date of receipt. The Foundation accounts for this agreement in accordance with ASC 958-605 as a conditional contribution. As of June 30, 2020, the Foundation has not satisfied the conditions of the loan to qualify for forgiveness, therefore the full balance of \$355,200 is included in deferred revenue in the accompanying statement of financial position.

(10) 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, 2020:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed income mutual funds				
Intermediate term bond	\$ 119,209	\$ 119,209	\$ -	\$ -
Short term bond	198,064	198,064	-	-
Other	<u>430,139</u>	<u>430,139</u>	-	-
Total fixed income mutual funds	<u>747,412</u>	<u>747,412</u>	-	-
Equity mutual funds				
Large blend	93,245	93,245	-	-
Large growth	191,899	191,899	-	-
Other	<u>174,495</u>	<u>174,495</u>	-	-
Total equity mutual funds	<u>459,639</u>	<u>459,639</u>	-	-
Total investments	<u>\$ 1,207,051</u>	<u>\$ 1,207,051</u>	<u>\$ -</u>	<u>\$ -</u>

In accordance with FASB ASC 820, the investments in ACF of \$2,425,493 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, 2020.

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(11) Commitments

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

<u>Years Ending June 30,</u>	
2021	\$ 18,485
2022	14,224
2023	344
Total minimum future rental payments	<u>\$ 33,053</u>

Total rent expense under the operating leases was \$15,794 for the year ended June 30, 2020.

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.

(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 2020, the Foundation made matching contributions of approximately \$30,000 which are included in employee related expenses in the accompanying statement of activities and change in net assets.

(13) Liquidity and availability of resources

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

Cash and cash equivalents	\$ 1,619,314
Pledges receivable	60,922
Investments	<u>3,682,836</u>
Total financial assets	<u>5,363,072</u>
Less:	
Board designated long term reserve	(761,306)
Net assets with donor restrictions	(615,800)
Board designated quasi-endowment designated by the spending policy	(2,425,493)
Amounts collateralizing lines of credit	<u>(150,000)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 1,410,473</u>

FRESH START WOMEN'S FOUNDATION

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2020

(13) Liquidity and availability of resources (continued)

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

Additionally, the Foundation maintains two \$675,000 lines of credit, as discussed in Note 4. As of June 30, 2020, approximately \$880,000 remained available for use by the Foundation, subject to bank approval.

(14) Risks and uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a "pandemic". First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations and travel.

The COVID-19 outbreak has triggered volatility in financial markets and a significant negative impact on the global economy. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on services provided, special events held, employees and vendors, all of which are uncertain and cannot be predicted and are expected to impact contribution and special events revenue for the remainder of 2020. The Foundation cancelled its March 2020 Gala special event and has converted many of its services to online platforms. Although the Gala was cancelled, a majority of donors did not request a refund of their donations. Additionally, as most in-person services were temporarily discontinued in March, the Foundation realized the cost savings associated with the mentoring, computer services, and social work programs.

As of the date the financial statements were available to be issued, the Foundation's operations have slowed. However, due to the Foundation's ability to convert to an online platform, and the receipt of stimulus proceeds, the Foundation's cash flows have not been significantly negatively impacted. The Foundation continues to closely monitor the situation. Depending on the severity and duration of the pandemic, the Foundation could experience a material negative impact to operations, cash flow, and financial condition. However, the extent of the impact cannot be reasonably estimated at this time.

(15) Related party transactions

During the year ended June 30, 2020, the Foundation received approximately \$120,000 in total support from Board members.