FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2013

FRESH START WOMEN'S FOUNDATION

FINANCIAL STATEMENTS

Year Ended June 30, 2013

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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, 2013, 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, 2013, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Mayer Hoffman McCann P.C.

Phoenix, Arizona
December 3, 2013

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FINANCIAL POSITION

June 30, 2013

ASSETS

CURRENT ASSETS		
Cash and cash equivalents	$	370,238
Pledges receivable, net (Note 1)		29,188
Bequest receivable		1,041,852
Prepaid expenses and other current assets		23,205
TOTAL CURRENT ASSETS		1,464,483
INVESTMENTS (Note 2)		1,069,720
ASSETS WHOSE USE IS LIMITED (Note 3)		465,138
PROPERTY AND EQUIPMENT, net (Note 4)		3,219,831
DEFERRED FINANCING COSTS, net (Note 1)		15,542
OTHER ASSETS		14,132
TOTAL ASSETS	$	6,248,846

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Line of credit (Note 5)	$	400,000
Accounts payable and accrued expenses		146,281
Deferred rent		6,213
Current maturities of note payable (Note 6)		52,901
TOTAL CURRENT LIABILITIES		605,395
LONG-TERM LIABILITIES		
Deferred rent, less current portion		1,625
Note payable, net of current maturities (Note 6)		1,627,919
TOTAL LONG-TERM LIABILITIES		1,629,544
TOTAL LIABILITIES		2,234,939
NET ASSETS		
Unrestricted		
Board designated		600,000
Undesignated		1,702,288
Total unrestricted		2,302,288
Temporarily restricted (Note 7)		1,461,619
Permanently restricted (Note 8)		250,000
TOTAL NET ASSETS		4,013,907
TOTAL LIABILITIES AND NET ASSETS	$	6,248,846

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	$ 296,745	$ 306,468	$ -	$ 603,213
Bequest	-	1,041,852	-	1,041,852
Thrift store revenue, net	200,917	-	-	200,917
In-kind contributions	73,641	-	-	73,641
Investment income	66,439	23,680	-	90,119
Reclassification of donor intent	127,174	(127,174)	-	-
Net assets released from restrictions	556,464	(556,464)	-	-
	1,321,380	688,362	-	2,009,742
Special events:				
Special event revenue	1,509,098	-	-	1,509,098
Less costs of direct donor benefits	(183,277)	-	-	(183,277)
Gross profit on special events	1,325,821	-	-	1,325,821
TOTAL SUPPORT AND REVENUE	2,647,201	688,362	-	3,335,563
EXPENSES				
Program services	2,293,070	-	-	2,293,070
General and administrative	100,541	-	-	100,541
Fundraising	329,216	-	-	329,216
TOTAL EXPENSES	2,722,827	-	-	2,722,827
LOSS ON UNCOLLECTABLE PLEDGES	-	(23,054)	-	(23,054)
CHANGE IN NET ASSETS	(75,626)	665,308	-	589,682
NET ASSETS, BEGINNING OF YEAR	2,377,914	796,311	250,000	3,424,225
NET ASSETS, END OF YEAR	$ 2,302,288	$ 1,461,619	$ 250,000	$ 4,013,907

FRESH START WOMEN'S FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

		Supporting Services		
	Program Services	General and Administrative	Fundraising	Total
Salaries and personnel costs	$ 986,098	$ 48,592	$ 68,682	$ 1,103,372
Occupancy costs	234,386	1,179	2,610	238,175
Event expenses	988	21,818	196,325	219,131
In-kind expenses	64,929	3,159	5,553	73,641
Employee benefits	107,317	3,514	5,153	115,984
Interest and bond maintenance costs	108,947	1,597	3,536	114,080
Individual assistance	103,889	-	-	103,889
Payroll taxes	88,971	3,940	5,993	98,904
Restricted grant expense	53,650	-	-	53,650
Supplies	39,310	713	1,495	41,518
Contracted outside services	22,470	1,816	14,524	38,810
Technology	33,670	209	473	34,352
National website development, content and maintenance	32,080	822	822	33,724
Professional fees	14,175	2,835	1,890	18,900
Payroll management fee	15,668	759	1,083	17,510
403(b) contributions	13,753	886	860	15,499
Equipment maintenance	14,813	210	475	15,498
Insurance	13,894	762	834	15,490
Merchant fees and bank charges	13,600	221	1,346	15,167
Communication costs	11,839	846	1,410	14,095
Marketing and public relations	8,005	397	1,590	9,992
Board development and operations	8,300	593	988	9,881
Staff development and retention	4,878	602	734	6,214
Leased equipment maintenance	4,229	302	504	5,035
Recognition events and community outreach	2,729	248	1,985	4,962
Dues and membership fees	2,129	152	272	2,553
Printing	1,769	111	237	2,117
Postage and delivery	849	73	582	1,504
Volunteer and mentor costs	987	11	17	1,015
Total expenses before depreciation	2,008,322	96,367	319,973	2,424,662
Depreciation	284,748	4,174	9,243	298,165
TOTAL EXPENSES	$ 2,293,070	$ 100,541	$ 329,216	$ 2,722,827

See Notes to Financial Statements

FRESH START WOMEN'S FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	589,682
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		298,165
Loss on uncollectible pledges receivable		23,054
Amortization of deferred financing costs		2,869
Net realized/unrealized investment gains		(44,825)
Change in allowance for uncollectible pledges receivable		(27,000)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Pledges receivable		283,662
Bequest receivable		(1,041,852)
Prepaid expenses and other current assets		10,068
Increase (decrease) in:		
Accounts payable and accrued expenses		42,626
Deferred rent		(11,591)
Net cash provided by operating activities		124,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment		(18,796)
Additions to assets whose use is limited		(19,718)
Purchases of investments		(298,744)
Proceeds from sale of investments		273,875
Net cash used in investing activities		(63,383)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on notes payable		(49,391)
Net cash used in financing activities		(49,391)
NET CHANGE IN CASH AND CASH EQUIVALENTS		12,084
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		358,154
CASH AND CASH EQUIVALENTS, END OF YEAR	$	370,238
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$	97,842

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 27,371 visits during the year ended June 30, 2013. 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 U.S. generally accepted accounting principles 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.

Reclassification of donor intent – At times the Foundation receives requests by donors or their designees to change the use for which the donor's original gift was intended. These donor requests are reviewed by the Foundation for approval, and if approved, may result in the reclassification of net assets between unrestricted, temporarily restricted, or permanently restricted net assets. These reclassifications are reflected in the statement of activities for the year ended June 30, 2013 as reclassification of donor intent.

(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, 2013, 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.

A concentration of credit risk exists with the pledges receivable at June 30, 2013 as the entire balance is due from two donors.

The Foundation solicits pledges from members of the Board of Directors. Total support from Board members was approximately $392,000 and is included in contributions and special events revenue in the accompanying statement of activities.

Bequests receivable – Bequests receivable are recognized as contribution revenue in the period the Foundation receives notification the court has found the will of the donor's estate to be valid and all conditions have been substantially met.

Donated materials and services – 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.

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

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

Contribution	Used For	Donation Amt
Advertising	Various	$ 54,236
Program supplies	Resource Center	12,956
Other	Various	6,449
		$ 73,641

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.

Assets whose use is limited – Assets whose use is limited consists of cash and investments held in a securities account. Pursuant to the terms of the note payable agreement (Note 6), the Foundation is required to maintain amounts on deposit which serve as collateral.

Investments – The Foundation accounts for its investments in accordance with FASB ASC 958-320, *Not-for-Profit Entities – Investments – Debt and Equity Securities*. 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 investments are based on quoted market prices. Investment income (including interest, dividends, and realized and unrealized gains and losses on investments) is included in operating income (loss).

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.

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:

Property and Equipment	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, 2013.

Deferred rent – The Foundation accounts for its office 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 6) 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 6. Accumulated amortization on the deferred financing costs was $4,542 at June 30, 2013. Amortization of deferred financing costs was $2,869 for the year ended June 30, 2013 and is included in interest expense 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 $54,200 for the year ended June 30, 2013.

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 2010, 2011 and 2012 are subject to examination by the IRS, generally for three years after they were filed. As of the date of this report, the fiscal 2013 informational return had not yet been filed.

Recent accounting pronouncement – In October 2012, the FASB issued ASU No. 2012-05 ("ASU 2012-05") "Statement of Cash Flows (Topic 230), Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows." ASU 2012-05 requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit. ASU 2012-05 is effective for the first period beginning after June 15, 2013. The amendments of this ASU will be applied prospectively, with early adoption permitted if the not-for-profit's financial statements for the early adoption period have not yet been made available for issuance. Retrospective application to all prior periods presented is permitted, but not required. The Foundation elected to early adopt ASU 2012-05 in 2013, with no significant impact to its financial statements.

In April 2013, the FASB issued ASU No. 2013-06 ("ASU 2013-06") "Not-for-Profit Entities (Topic 958)*:* Services Received from Personnel of an Affiliate." ASU 2013-06 provides revenue recognition guidance for not-for-profit entities requiring that contributed services be recognized at fair value if employees of separately governed affiliated entities regularly perform services (in other than an advisory capacity) for and under the direction of the donee. In addition, that guidance indicates that those contributed services should be recognized only if they (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and typically would need to be purchased if not provided by donation. ASU 2013-06 is effective for the first reporting period after December 15, 2013. The Foundation is evaluating the impact of adopting ASU 2013-06, but currently believes there will be no significant impact on its financial statements.

Subsequent events – The Foundation has evaluated subsequent events through December 3, 2013 which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of:

Cash	$ 6,098
Fixed income mutual funds	
Multisector bond	345,778
Large blend	207,623
Intermediate term bond	185,189
Inflation-protected bond	80,198
Short-term bond	55,064
Other	40,749
Total fixed income mutual funds	914,601
Equity mutual funds	
Large blend	109,464
Other	39,557
Total equity mutual funds	149,021
Total investments	$ 1,069,720

Investment income consists of:

Interest and dividend income	$ 45,294
Unrealized gains on investments	26,128
Realized gains on investments	18,697
Total investment income	$ 90,119

Expenses relating to investment income, including custodial fees and investment advisory fees, charged to operations were $9,314 for the year ended June 30, 2013 and are charged to general and administrative expense on the accompanying statement of activities.

(3) Assets whose use is limited

In connection with the loan agreement for $1,750,000 described in Note 6, the Foundation has cash and investments held in a securities account. The Foundation is required to maintain a minimum of $333,333 on deposit which serves as collateral on the note. The collateral value is based on the type of investments held in accordance with the debt agreement. The Foundation is entitled to receive any payments of interest or cash dividends earned on the assets as long as the Foundation is not in default on the note payable.

The Foundation follows FASB ASC 958-320 to account for its investments classified as assets whose use is limited, which consist of:

Cash	$ 99,949
Fixed income mutual funds	
Intermediate term bond	183,630
Equity mutual funds	
Large blend	128,802
International	52,757
Total equity mutual funds	181,559
Total assets whose use is limited	$ 465,138

(4) Property and equipment

Property and equipment consists of:

Cost and donated value:	
Building	$ 4,218,296
Land improvements	203,841
Building improvements	314,679
Computer equipment and software	363,976
National website	61,945
Furniture, fixtures and equipment	249,933
Bus shelter	6,500
Total cost and donated value	5,419,170
Accumulated depreciation	(2,199,339)
Net property and equipment	$ 3,219,831

Depreciation expense charged to operations was $298,165 for the year ended June 30, 2013.

(5) Line of credit

During the year ended June 30, 2012, the Foundation entered into a revolving line of credit with a bank with available borrowings of up to $675,000, due on demand. The line is collateralized by certain investments. Interest accrues on borrowings at the one month LIBOR rate plus 3.125% (3.38% at June 30, 2013). As of June 30, 2013 there was $400,000 outstanding on the line of credit.

(6) 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 and is secured by the real and personal property of the Foundation. The bank may request a valuation of the real property securing the loan. If the valuation is less than 75% of the principal balance of the loan, then the Foundation shall repay principal amounts necessary to result in a valuation greater than or equal to 75%. Additionally, the Foundation may not take on additional debt without the consent of the lender.

Annual maturities under the loan agreement at June 30, 2013 are as follows:

Years Ending June 30,	
2014	$ 52,901
2015	55,970
2016	59,213
2017	62,648
2018	66,282
Thereafter	1,383,806
Total	$ 1,680,820

(7) Temporarily restricted net assets

Temporarily restricted net assets consist of:

Purpose restrictions:	
E. Jean Goulet Scholarships	$ 104,208
Women's Resource Center Services	188,073
On the Job Training Program	35,046
National Website	20,650
Inspired Leadership Series	21,123
Career Services	10,560
Other purpose restrictions	10,919
Total purpose restrictions	390,579
Time restrictions:	
Pledges and bequests receivable	1,071,040
Total temporarily restricted net assets	$ 1,461,619

Net assets released from donor restrictions by incurring expense satisfying the restricted purposed or by occurrence of other events specified by donors were as follows for the year ended June 30, 2013:

Satisfaction of purpose restrictions:	
E. Jean Goulet Scholarships	$ 101,577
Women's Resource Center Services	65,000
East Valley Initiative	36,346
On the Job Training Program	41,500
Other	26,041
Total satisfaction of purpose restrictions	270,464
Expiration of time restrictions	286,000
Total releases of temporarily restricted funds	$ 556,464

(8) Endowments

The Foundation's endowments consist entirely of a donor-restricted fund to be held in perpetuity and earnings on the endowments 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.

(8) Endowments (continued)

The Foundation has historically chosen to reinvest earnings on endowment investments; however, it has the option of using such earnings to support programs and may choose to do so in the future.

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, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ -	$ 89,392	$ 250,000	$ 339,392
Investment Return:				
Investment income	-	13,113	-	13,113
Net appreciation	-	15,143	-	15,143
Appropriation of endowment assets for expenditure	-	(4,576)	-	(4,576)
Endowment net assets, end of year	$ -	$ 113,072	$ 250,000	$ 363,072

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, 2013.

(9) Fair value measurements

FASB ASC 820, *Fair Value Measurements*, establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles 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.

(9) Fair value measurements

Level 3: Unobservable inputs for the asset or liability.

The following table summarizes the valuation of the Foundation's assets and liabilities subject to recurring fair value measurement by the above FASB ASC 820 categories as of June 30, 2013:

	Total	(Level 1)	(Level 2)	(Level 3)
Fixed income mutual funds				
Multisector bond	$ 345,778	$ 345,778	$ -	$ -
Large blend	207,623	207,623	-	-
Intermediate term bond	368,819	368,819	-	-
Inflation-protected bond	80,198	80,198	-	-
Short-term bond	55,064	55,064	-	-
Other	40,749	40,749	-	-
Total fixed income mutual funds	1,098,231	1,098,231	-	-
Equity mutual funds				
Large blend	238,266	238,266	-	-
Other	92,314	92,314	-	-
Total equity mutual funds	330,580	330,580	-	-
Total assets	$ 1,428,811	$ 1,428,811	$ -	$ -

The Foundation has no other financial instruments subject to fair value measurement on a recurring basis as of June 30, 2013.

(10) Commitments

In July 2011, the Foundation entered into a twenty-four month operating lease agreement for retail space commencing in November 2011. The retail space is utilized for the Foundation's thrift store operations. The Foundation has options to renew the lease for two additional terms of three years each. Additionally, the Foundation leases a copy machine under a five year agreement expiring in September 2017. Future minimum rental payments under the noncancelable operating lease are as follows:

Years Ending June 30,	
2014	$ 40,040
2015	5,040
2016	5,040
2017	5,040
2018	840
Total minimum future rental payments	$ 56,000

Total rent expense under the operating lease was $74,484. Subsequent to year end, the Foundation elected to renew the lease agreement for the location used as a thrift store through November 2016.

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.

(11) Major vendors

During the 2013 fiscal year, the Foundation made significant purchases from one vendor. The vendor accounted for 11% of purchases during the year ended June 30, 2013.

(12) Thrift store revenues

The Foundation receives donations of merchandise supplies and sells these items to the general public. The donated items are recorded in the statement of activities at their fair market value. The fair market value is based on the selling price for items. Thrift store revenues consisted of the following for the year ended June 30, 2013:

Value of contributed items	$	200,917
Sales proceeds from contributed items		200,917
Cost of materials		(200,917)
Thrift store revenues, net	$	200,917

(13) 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 2013, the Foundation contributed matching contributions of approximately $12,000 which are included in employee benefits in the accompanying statement of functional expenses.

Additionally, the Foundation contributes to a tax-sheltered annuity retirement savings plan for eligible employees who are at least 18 years of age and have provided at least one year of service. The Foundation matches contributions equal to 50% of the first 3% of pay deferred into the plan. Employees vest in contributions made on their behalf at a rate of 20% per year over five years of service. Contributions for the year ended June 30, 2013 were $15,499 and are included in 403(b) contributions in the accompanying statement of functional expenses.